

# **CANACOL ENERGY LTD.**

**ANNUAL INFORMATION FORM  
YEAR ENDED DECEMBER 31, 2019**

**DATED: MARCH 17, 2020**



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## SCHEDULES

SCHEDULE A	Report on Reserves Data by Independent Qualified Reserves Evaluator (Form 51-101F2)
SCHEDULE B	Report of Management and Directors on Oil and Gas Disclosure (Form 51-101F3)
SCHEDULE C	Audit Committee Terms of Reference

## CERTAIN DEFINITIONS

In this Annual Information Form, the following abbreviations and terms shall have the meanings set forth below, unless the context otherwise requires:

### Selected Defined Terms

“**2017 Credit Facility**” means the \$305 million secured term loan with a syndicate of banks. The term loan was due March 20, 2022, with interest payable quarterly and principal repayable in 13 equal quarterly instalments starting March 20, 2019, following an initial grace period. The term loan carried interest at LIBOR plus 5.5% and was secured by all of the material assets of the Corporation. On May 3, 2018, the Corporation cancelled and repaid all amounts outstanding under the 2017 Credit Facility with proceeds from the 2018 Senior Notes;

“**2018 Credit Facility**” means the \$30 million secured term loan with a major bank. The term loan is due December 11, 2022, with interest payable quarterly and principal repayable in 11 equal quarterly instalments starting June 11, 2020, following an initial grace period. The term loan bears interest at a fixed rate of 6.875% per annum and is secured by the Corporation’s Jobo 2 natural gas processing facility. A portion of the proceeds from the 2018 Credit Facility totaling \$24.2 million were used to purchase the Jobo 2 natural gas processing facility, previously held under a finance lease agreement. The remaining proceeds of the 2018 Credit Facility were contribute to the completion of the Jobo 3 natural gas plant expansion. See also “*Description of Capital Structure – Long-Term Debt – 2018 Credit Facility*”;

“**2018 Senior Notes**” means the \$320 million aggregate principal amount of 7.25% senior notes with a final maturity date of May 3, 2025 issued by the Corporation on May 3, 2018 pursuant to the 2018 Senior Note Indenture. See “*Description of Capital Structure – Long-Term Debt – 2018 Senior Notes*”;

“**2018 Senior Note Indenture**” means the trust indenture dated May 3, 2018 governing the terms of the 2018 Senior Notes;

“**ABCA**” means the *Business Corporations Act (Alberta)*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**ANH**” means Agencia Nacional de Hidrocarburos, or National Hydrocarbon Agency, an agency of the Colombian government;

“**ANLA**” means the Autoridad Nacional de Licencias Ambientales;

“**BGEC**” means Boury Global Energy Consultants Ltd., an independent petroleum engineering consulting firm;

“**BGEC Report**” means the report prepared by BGEC on February 14, 2020 entitled “Reserve Evaluation Report on Certain Properties owned by Canacol Energy Ltd. in Colombia” dated effective December 31, 2019;

“**Board of Directors**” means the board of directors of the Corporation, as constituted from time to time;

“**BVC**” means the Bolsa de Valores de Colombia, the principal stock exchange of Colombia;

“**Carrao**” means Carrao Energy Ltd.;

“**Carrao Acquisition**” means the acquisition of Carrao by the Corporation, completed on November 30, 2011, pursuant to which the Corporation acquired exploration assets located in the Llanos, Caguan, and Middle Magdalena basins of Colombia. Canacol acquired all of the issued and outstanding securities of Carrao;

“**Common Shares**” means common voting shares in the capital of Canacol as presently constituted;

“**ConocoPhillips Colombia**” means ConocoPhillips Colombia Ventures Ltd., a wholly-owned subsidiary of ConocoPhillips Company;

“**Corporation**” or “**Canacol**” means Canacol Energy Ltd., and, when used in the context of describing the Corporation’s assets and business, may include its subsidiaries and predecessors;

“**E&E Contract**” means an exploration and exploitation contract;

“**E&P Contract**” means an exploration and production contract;

“**EBITDAX**” earnings before interest, taxes, depreciation, depletion, amortization, exploration expense and non-recurring or non-cash charges;

“**Ecopetrol**” means Ecopetrol S.A., the national oil company of Colombia and formerly known as Empresa Colombiana de Petróleos;

“**Ecuador IPC**” means the 15-year (expiring 2027) incremental production contract awarded to Pardaliservices by PetroAmazonas regarding the Libertador & Atacapi Fields located in northern Ecuador. The Corporation had a non-operated 25% equity interest (27.9% capital participation interest) in the Ecuador IPC; however, on March 7, 2018, the Corporation announced that it completed the sale of its equity interest in Ecuador IPC to the other joint venture partners of Pardaliservices;

“**Esperanza E&E Contract**” means the E&E Contract located in the Lower Magdalena Basin, Colombia, acquired pursuant to the Shona Acquisition, operated by the Corporation, and wherein the Corporation has a 100% working interest;

“**GAAP**” means generally accepted accounting principles for publicly accountable enterprises in Canada, which is currently in accordance with IFRS;

“**IFRS**” means International Financial Report Standards as issued by the International Accounting Standards Board;

“**Libertador & Atacapi Fields**” means the mature fields located in northern Ecuador, which are the subject of the Ecuador IPC that was awarded by PetroAmazonas to Pardaliservices;

“**LIBOR**” means the London Interbank Offered Rate;

“**NI 51-101**” means National Instrument 51-101 – *Standard of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators;

“**NI 51-102**” means National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

“**OGX**” means OGX Petroleo E Gas S.A.;

“**Pardaliservices**” means Pardaliservices S.A., the joint venture company that was established by Tecpetrol International S.A., Schlumberger Ltd., Sertecpet S.A., and Canacol that was awarded the Ecuador IPC;

“**PetroAmazonas**” means PetroAmazonas EP, the upstream national oil company of Ecuador in charge of exploration and production activities. In November 2012, PetroAmazonas acquired EP PetroEcuador’s upstream exploration and production interests;

“**Promigas**” means Promigas S.A. E.S.P.;

“**Rancho Hermoso**” means the field located in the Llanos Basin, operated by Canacol Energy Colombia S.A.S. by agreement with Ecopetrol;

“**Shareholder**” means a holder of record of one or more Common Shares;

“**Shona**” means Shona Energy Company, Inc.;

“**Shona Acquisition**” means the acquisition by the Corporation of all of the shares of Shona, a British Columbia company that had operations focused in Colombia;

“**SSJN-7 E&P Contract**” means the E&P Contract located in the Lower Magdalena Valley Basin, Colombia, operated by Canacol, wherein the Corporation has a 50% working interest;

“**TSX**” means the Toronto Stock Exchange;

“**VIM 5 E&P Contract**” means the E&P Contract located in the Lower Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**VIM 19 E&P Contract**” means the E&P Contract located in the Lower Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**VIM 21 E&P Contract**” means the E&P Contract located in the Lower Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**VIM 33 E&P Contract**” means the E&P Contract located in the Lower Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest;

“**VMM 2 E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by ConocoPhillips, wherein the Corporation has a 20% working interest;

“**VMM 3 E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by ConocoPhillips, wherein the Corporation has a 20% working interest;

“**VMM 45 E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest; and

“**VMM 49 E&P Contract**” means the E&P Contract located in the Middle Magdalena Basin, Colombia, operated by the Corporation, wherein the Corporation has a 100% working interest.

## **Selected Technical Terms**

“**abandonment and reclamation costs**” means all costs associated with the process of restoring a reporting issuer’s property that has been disturbed by oil and gas activities to a standard imposed by applicable government or regulatory authorities;

“**associated gas**” means the gas cap overlying a crude oil accumulation in a reservoir;

“**conventional natural gas**” means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features;

“**crude oil**” means a mixture consisting mainly of pentanes and heavier hydrocarbons that exists in the liquid phase in reservoirs and remains liquid at atmospheric pressure and temperature. Crude oil may contain small amounts of sulphur and other non-hydrocarbons but does not include liquids obtained from the processing of natural gas;

“**developed non-producing reserves**” are those reserves that either have not been on production, or have previously been on production but are shut-in and the date of resumption of production is unknown;

“**developed producing reserves**” are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

“**developed reserves**” are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

“**development costs**” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems;

“**development well**” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

**“exploration costs”** means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as “prospecting costs”) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as “geological and geophysical costs”);
- (b) costs of carrying and retiring unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells;

**“exploration well”** means a well that is not a development well, a service well or a stratigraphic test well;

**“field”** means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms “structural feature” and “stratigraphic condition” are intended to denote localized geological features, in contrast to broader terms such as “basin”, “trend”, “province”, “play” or “area of interest”;

**“forecast prices and costs”** means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; and
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the reporting issuer is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a);

**“future income tax expenses”** means expenses estimated (generally, year-by-year):

- (a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;
- (b) without deducting estimated future costs that are not deductible in computing taxable income;
- (c) taking into account estimated tax credits and allowances; and
- (d) applying to the future pre-tax net cash flows relating to the reporting issuer’s oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated;

**“future net revenue”** means a forecast of revenue, estimated using forecast prices and costs or constant prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs;

**“gross”** means:

- (a) in relation to the Corporation’s interest in production or reserves, its “company gross reserves”, which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest;

**“heavy crude oil”** means crude oil with a relative density greater than 10° API gravity and less than or equal to 22.3° API gravity;

**“light crude oil”** means crude oil with a relative density greater than 31.1° API gravity;

**“medium crude oil”** means crude oil with a relative density that is greater than 22.3° API gravity and less than or equal to 31.1° API gravity;

**“natural gas”** means a naturally occurring mixture of hydrocarbon gases and other gases;

**“natural gas liquids”** or **“NGLs”** means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes plus, and condensates;

**“net”** means:

- (a) in relation to the Corporation’s interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interest in production or reserves;
- (b) in relation to the Corporation’s interest in wells, the number of wells obtained by aggregating the Corporation’s working interest in each of its gross wells; and
- (c) in relation to the Corporation’s interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation;

**“operating costs”**, see “production costs”;

**“possible reserves”** means those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves;

**“probable reserves”** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

**“production”** means the cumulative quantity of petroleum that has been recovered at a given date. Recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas;



**“production costs”** (or **“operating costs”**) means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. Lifting costs become part of the cost of oil and gas produced. Examples of production costs are:

- (a) costs of labour to operate the wells and related equipment and facilities;
- (b) costs of repairs and maintenance;
- (c) costs of materials, supplies and fuel consumed, and supplies utilized, in operating the wells and related equipment and facilities;
- (d) costs of well services; and
- (e) taxes, other than income and capital taxes;

**“property acquisition costs”** means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

- (a) costs of lease bonuses and options to purchase or lease a property;
- (b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee; and
- (c) brokers’ fees, recording and registration fees, legal costs and other costs incurred in acquiring properties;

**“proved property”** means a property or part of a property to which reserves have been specifically attributed;

**“proved reserves”** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

**“reserves”** are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates being “proved reserves”, “probable reserves” and “possible reserves”;

**“reservoir”** means a subsurface rock unit that contains an accumulation of petroleum;

**“resources”** means petroleum quantities that originally existed on or within the earth’s crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced. Total resources is equivalent to total petroleum initially-in-place;

**“service well”** means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion;

**“solution gas”** means natural gas dissolved in crude oil;

**“stratigraphic test well”** means the drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for

hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as:

- (a) “exploratory type” if not drilled into a proved property; or
- (b) “development type”, if drilled into a proved property. Development type stratigraphic wells are also referred to as “evaluation wells”;

“**support equipment and facilities**” means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices;

“**undeveloped reserves**” are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator’s assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status;

“**unproved property**” means a property or part of a property to which no reserves have been specifically attributed; and

“**working interest**” means the net interest held in an oil and natural gas property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.

## ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the following abbreviations and terms have the meanings set forth below:

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
Mbbl	one thousand barrels	MMcf	million cubic feet
MMbbl	one million barrels	Mscf	thousand standard cubic feet
bbl/d	barrels per day	Bcf	billion cubic feet
bopd	barrels of oil per day	Mcf/d	thousand cubic feet per day
NGL	natural gas liquids	MMcf/d	million cubic feet per day
LNG	liquefied natural gas	MMscf/d	million standard cubic feet per day
		MMBTU	million British Thermal Units
		MMBTU/d	million British Thermal Units per day
Other			
BOE or boe	barrel of oil equivalent is derived by converting natural gas to oil in the ratio of 5.7 Mcf of natural gas to one bbl of oil. A BOE conversion ratio of 5.7 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 5.7:1, utilizing a conversion on a 5.7:1 basis may be misleading as an indication of value. In this Annual Information Form, the Corporation has expressed BOE using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia.		
boe/d	barrels of oil equivalent per day		
Mboe	one thousand barrels of oil equivalent		
MMboe	one million barrels of oil equivalent		
M	thousand		
ft	feet		
km	kilometre		
km <sup>2</sup>	square kilometres		
m <sup>3</sup>	cubic metre		
API	American Petroleum Institute		
° API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil		
\$000s or M\$	thousands of dollars		
WTI	West Texas Intermediate, the reference price paid in U.S. dollars at Cushing, Oklahoma for crude oil of standard grade		
kWh	kilowatt-hour		

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units):

To convert from	To	Multiply by
BOE	Mcf	5.7
Mcf	m <sup>3</sup>	28.174
m <sup>3</sup>	cubic feet	35.315
bbl	m <sup>3</sup>	0.159
m <sup>3</sup>	bbl	6.290
ft	metres	0.305
metres	ft	3.281
miles	km	1.609
km	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

## INFORMATION

The information in this Annual Information Form is stated as at December 31, 2019, unless otherwise indicated. For an explanation of the capitalized terms and expression and certain defined terms, see “*Certain Definitions*” and “*Abbreviations and Conversion*”. **Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in United States dollars and references to \$ are to United States dollars.** References to C\$ are to Canadian dollars.

Colombian estimated future net revenue based on the BGEC Report is presented in United States dollars effective December 31, 2019.

## NON-GAAP TERMS

This AIF refers to certain financial measures that are not determined in accordance with GAAP. Since non-GAAP measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The intent of non-GAAP measures is to provide additional useful information with respect to Canacol’s operational and financial performance to investors and analysts though the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate these non-GAAP measures differently.

In particular, the term “netback” is used in this Annual Information Form and readers should be cautioned that netback is not defined by GAAP and may not be comparable to similar measures presented by other companies. Management believes this is a useful metric in providing a comparison of relative overall performance between companies as it is a common metric used by other companies operating in the oil and gas industry. Management uses this metric to assess the Corporation’s overall performance relative to that of its competitors and for internal planning purposes.

“**Netback**” is a non-GAAP financial measure and is calculated as revenues net of royalties, less transportation and processing charges and operating expenses and then divided by BOE or Mcf sold.

For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the “Non-IFRS Measures” section of the Corporation’s management discussion and analysis accompanying its most recent audited annual financial statements which are available on SEDAR.

## FORWARD LOOKING STATEMENTS

Certain information regarding the Corporation set forth in this Annual Information Form, including management’s assessment of the Corporation’s future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words “plan”, “expect”, “forecast”, “project”, “intend”, “believe”, “anticipate”, “estimate” or other similar words, or statements that certain events or conditions “may” or “will” occur are intended to identify forward-looking statements. Such statements represent the Corporation’s internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although management of the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee

future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies. Many factors could cause the Corporation's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Corporation.

In particular, forward-looking statements included in this Annual Information Form include, but are not limited to, statements with respect to: the size of, and future net revenues from, oil and gas reserves; the performance characteristics of the Corporation's oil and gas properties; supply and demand for oil and natural gas; drilling plans, including the anticipated timing thereof; treatment under governmental regulatory regimes and tax laws; financial and business prospects and financial outlook; results of operations; production, future costs, reserves and production estimates; activities to be undertaken in various areas including the fulfillment of exploration commitments; timing of drilling, completion and tie in of wells; access to facilities and infrastructure; timing of development of undeveloped reserves; planned capital expenditures, the timing thereof and the method of funding; the amount, if any, of dividends to be declared; financial condition, access to capital and overall strategy; the quantity of the Corporation's reserves; and the Corporation's expectations regarding its ability to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties.

Statements relating to "reserves" or "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future. The recovery and reserve estimates of the Corporation's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic and political conditions in Colombia; industry conditions, including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced in Colombia; volatility in market prices for oil, NGL's and natural gas; imprecision in reserve and resource estimates; lack of availability of additional financing and farm-in or joint venture partners; competition; the results of exploration and development drilling and related activities; lack of availability of qualified personnel; the Corporation's ability to recover reserves and resources; production rates and production decline rates; environmental risks; risks related to the ability of partners to fund capital work programs and other matters requiring partner approval; the production and growth potential of the Corporation's assets; obtaining required approvals of regulatory authorities in Colombia; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; risks associated with acquisitions and dispositions; fluctuations in foreign exchange or interest rates; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry; risk that the Corporation will not be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; the risks discussed herein under "*Risk Factors*"; and other factors, many of which are beyond the control of the Corporation. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Corporation's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Although the forward-looking statements contained in this Annual Information Form are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Annual Information Form, the Corporation has made assumptions regarding, but not limited to: current commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; future exchange rates; the price of oil, NGL's and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies;

recoverability of reserves; royalty rates; future operating costs; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of the Corporation's reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that the Corporation will be able to obtain contract extensions or fulfill the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Forward-looking statements and other information contained herein concerning the oil and natural gas industry in the countries in which the Corporation operates and the Corporation's general expectations concerning this industry are based on estimates prepared by management of the Corporation using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Corporation is not aware of any material misstatements regarding any industry data presented herein, the oil and natural gas industry involves numerous risks and uncertainties and is subject to change based on various factors.

The estimates of future production may be considered to be future-oriented financial information or a financial outlook for the purposes of applicable Canadian securities laws. Financial outlook and future-oriented financial information contained in this Annual Information Form about prospective financial performance, financial position or cash flows are based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available, and to become available in the future. In particular, this Annual Information Form contains projected operational information for 2020/2021. These projections contain forward-looking statements and are based on a number of material assumptions and factors. Actual results may differ significantly from the projections presented herein. These projections may also be considered to contain future-oriented financial information or a financial outlook. The actual results of Canacol's operations for any period could vary from the amounts set forth in these projections, and such variations may be material. See above for a discussion of the risks that could cause actual results to vary. The future-oriented financial information and financial outlooks contained in this Annual Information Form have been approved by management as of the date of this Annual Information Form. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. Canacol and its management believe that the prospective financial information has been prepared on a reasonable basis, reflecting management's best estimates and judgments, and represent, to the best of management's knowledge and opinion, Canacol's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide Shareholders with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom. These forward-looking statements are made as of the date of this Annual Information Form and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

## NAME AND INCORPORATION

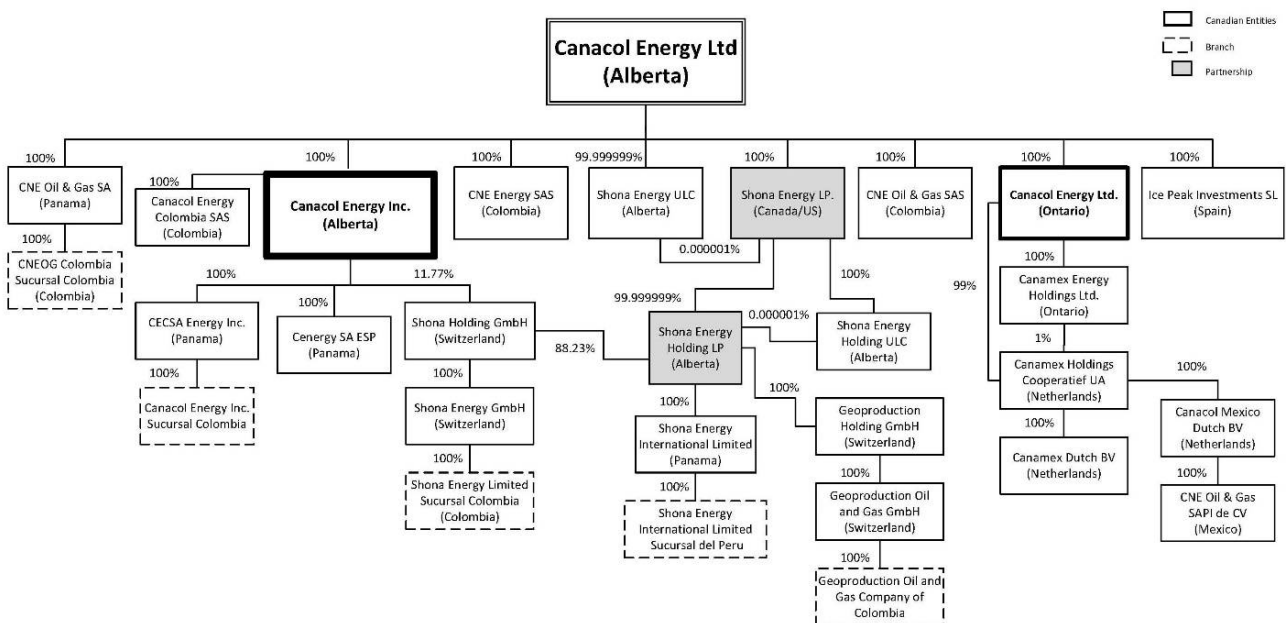
The Corporation was incorporated pursuant to the provisions of the *British Columbia Company Act* on July 20, 1970 and was continued under the ABCA on November 24, 2004. On February 12, 2009, the Corporation changed its name to “Canacol Energy Ltd.”

The Corporation’s head office is located at Suite 2650, 585 - 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1G1. The Corporation has a material branch office in Bogotá, Colombia at Calle 113 No. 7-45 Torre B Oficina 1501. The registered office of the Corporation is located at 1000, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1.

The Corporation is a reporting issuer in each of the Provinces of Canada, other than Québec. The Common Shares are listed and posted for trading on the TSX under the trading symbol “CNE”, on the BVC, the principal stock exchange of Colombia, under the symbol “CNEC”, and on the OTCQX International Premier under the symbol “CNNEF”.

## INTERCORPORATE RELATIONSHIPS

The following chart sets forth the Corporation’s relationship with each material subsidiary of the Corporation and their respective jurisdictions of incorporation as at the date hereof.



## GENERAL DEVELOPMENT OF THE BUSINESS

Canacol is an international oil and gas company with operations focused onshore in Colombia. The Corporation is headquartered in Calgary, Alberta, Canada.

Since 2008, the Corporation has acquired interests in oil and gas properties located in Colombia, including: (i) the Carrao Acquisition, which included the VMM 2 and VMM 3 E&P Contracts in the Middle Magdalena basin; (ii) the Shona Acquisition, which included the Esperanza E&E Contract and the VIM 21 E&P Contract located in the Lower Magdalena Basin; (iii) the acquisition from OGX of the VIM 5 and VIM 19 E&P Contracts located in the Lower Magdalena Basin; and (iv) the VIM 33 E&P Contract located in the Lower Magdalena Basin and the VMM 45 and VMM 49 E&P Contracts located in the Middle Magdalena Basin, each awarded in a bid round administered by the ANH in 2019.

During and after 2012, the Corporation has focused largely on developing and growing its natural gas business through its strategic acquisitions and exploration and development activities and, during the year ended December 31, 2018, the Corporation divested the majority of its conventional oil assets in Colombia to become a mainly Colombia focused, conventional gas exploration and production company.

### **Three-Year History**

The following describes the development of Canacol's business and major transactions and events of the last three completed financial years, and activities that have or are expected to occur in the current financial year.

#### ***Period From January 1, 2017 to December 31, 2017***

On February 16, 2017, the Corporation announced that it had entered into the 2017 Credit Facility.

On April 25, 2017, the Corporation announced that it had purchased a 50% operated working interest in the SSJN-7 E&P Contract from Pacific Exploration and Production in consideration for the assumption of contractual exploration obligations to the ANH.

On June 6, 2017, the Corporation announced that its Ecuador joint venture, operating as Pardaliservices, sold a portion of its Government of Ecuador bonds for proceeds of \$53 million (\$13.5 million net to Canacol).

On August 9, 2017, the Corporation announced that it had signed an agreement for the construction, operation and ownership of the 82 km long Sabanas gas flowline from its Jobo gas plant to the connection point with the Promigas gas pipeline at Bremen. Pursuant to the agreement, the \$41 million Sabanas gas flowline project was financed through a \$30.5 million investment by a group of private investors and a \$10.5 million contribution from Canacol, with each holding its interest in the Sabanas gas flowline in separate companies. Canacol's financial contribution to the project was almost entirely satisfied by costs incurred at that date, and as such did not involve the issuance of new equity or affect its cash position. Horizon Capital Management Inc. acted as an advisor for this transaction, and was paid a fee of 3.5% on the \$30.5 million of private funds raised. Two members of the Board of Directors participated in the private investor financing for an aggregate amount of \$9.0 million.

On December 4, 2017, the Corporation announced that the 82 km long Sabanas gas flowline was connected and buried, and was in the final stage of pressure testing. The flowline commenced transportation of gas on December 5, 2017.

On December 19, 2017, the Corporation announced that it had entered into a binding agreement with TecpetrolLibertador B.V. and Sertecpet E&P S.L. in respect of the sale of its 25% interest in Servicios Libertador S.L., the holding company of Pardaliservices, which is the joint venture company that operates the Ecuador IPC, for an aggregate purchase price of \$36.4 million. The purchasers were existing partners in the joint venture.

#### ***Period From January 1, 2018 to December 31, 2018***

On March 7, 2018, the Corporation announced that it had completed the sale of its non-operated 25% interest in the Ecuador IPC in consideration for an aggregate purchase price of \$36.4 million, consisting of an initial payment of \$30.4 million and an additional payment of \$6.0 million in July 2019. Additionally, as part of the transaction, the Corporation received a reimbursement of \$5.58 million in respect of a cash call it paid to the joint venture in late 2017.

On May 3, 2018, the Corporation completed a private offering of the 2018 Senior Notes for the aggregate principal amount of \$320 million. The Corporation used the net proceeds from the offering to repay all outstanding amounts borrowed under the 2017 Credit Facility.



On June 25, 2018, the Corporation announced that it sold its 15% interest in Interamerican Energy Corp. (previously named Pacific Power and Gas), acquired in 2016, to one of its consortium partners for total cash proceeds of \$12.4 million.

On September 28, 2018, the Corporation completed the sale of the majority of its conventional oil assets in Colombia (with the exception of its interests in the Rancho Hermoso block and its unconventional oil portfolio) to Arrow Exploration Ltd. (“**Arrow**”) for aggregate consideration of \$40 million consisting of \$15 million in cash (subject to customary closing adjustments), \$20 million worth of common shares of Arrow (the “**Arrow Shares**”) being 22,598,870 Arrow Shares, and a \$5 million promissory note, which was to be paid by Arrow within six months of closing (at an annual interest rate of 15%). In addition, if within five years of closing the proven and probable reserves associated with the sold properties increases to at least 18 million boe, subject to certain adjustments, then Arrow will pay to Canacol a \$5 million bonus. The assets sold to Arrow included six producing oil fields with net production of 1,375 bopd and approximately 8.6 million bbl of proven plus probable reserves after royalties as of the December 31, 2017 reserves report. The assets also included five E&P Contracts, which had approximately \$66 million in exploration and transportation commitments outstanding over the next three years. The Corporation has subsequently agreed to amend the terms of the promissory note to have it payable in six equal monthly instalments commencing in April 2021.

On November 7, 2018, the Corporation announced that the distribution to the Shareholders of the 22,598,870 Arrow Shares by way of a return of capital was effective on November 6, 2018. Through the return of capital, the registered Shareholders received 0.12720671913 Arrow Shares per each Common Share owned on the record date, October 3, 2018.

On November 15, 2018, the Corporation announced that it had made the necessary filings, and received the necessary approvals to conduct a normal course issuer bid through the facilities of the TSX and/or alternative trading systems.

#### ***Period From January 1, 2019 to December 31, 2019***

On July 25, 2019, the Corporation announced that the works associated with the expansion of the gas pipeline between its operated Jobo gas processing facility and Cartagena had been completed. These works included the laying of 85 km of 20 inch pipeline and the installation of additional compression, resulting in an increase of 100 MMscf/d of transportation capacity for the Corporation to its clients in Cartagena.

On August 26, 2019, the Corporation announced that it achieved a record 217 MMscf/d (38,070 boe/d) of natural gas sales on August 24, 2019. This level of sales was achieved in part via the completion of the pipeline expansion between the Corporation’s gas processing facilities located at Jobo and the city of Cartagena at the end of July 2019. Average gas sales for the month of July 2019, prior to the completion of the pipeline expansion between Jobo and Cartagena, were approximately 122 MMscf/d. Average gas sales for the first 15 days of August 2019 were approximately 151 MMscf/d as the new pipeline expansion was gradually brought online to the gas sales level of 217 MMscf/d.

On October 10, 2019, the Corporation announced that it had changed its auditors from Deloitte LLP to KPMG LLP effective October 4, 2019.

On November 25, 2019, the Corporation announced that it had commenced the production and sale of LNG, the first such operation in Colombia.

On December 2, 2019, the Corporation entered into an agreement for the sale of its interests in the Rancho Hermoso block with an arm’s length purchaser in consideration for the assumption of contractual work commitments on the block by the purchaser. The transfer of the interest is subject to ANH approval.

On December 5, 2019, the Corporation announced that it had declared a dividend of C\$0.052 per Common Share, payable on December 30, 2019, to Shareholders of record at the close of business on December 16, 2019.

On December 9, 2019, the Corporation announced that it had successfully secured a 100% operated working interest in three new conventional gas E&P Contracts (VIM 33, VMM 45 and VMM 49) in a bid round administered by the ANH.

On December 10, 2019, the Corporation announced that it had renewed its normal course issuer bid through the facilities of the TSX and/or alternative trading systems.

Operational updates during the period from January 1, 2019 to December 31, 2019 include:

- On January 8, 2019, the Corporation announced that the Nelson 13 development well located on the Esperanza E&E Contract encountered 104 ft true vertical depth of net gas pay within the shallow Porquero sandstone reservoir and 162 ft true vertical depth of net gas pay within the deeper Cienaga de Oro sandstone reservoir.
- On May 3, 2019, the Corporation announced that the Nelson 7 development well located on the Esperanza E&E Contract encountered 56 ft true vertical depth of net gas pay within the shallow Porquero sandstone reservoir and 165 ft true vertical depth of net gas pay in the Cienaga de Oro sandstone reservoir.
- On June 11, 2019, the Corporation announced that the Acordeon 1 exploration well located on the VIM 5 E&P Contract encountered 420 ft of gross gas pay between 7,646 and 8,066 ft true vertical depth within the primary Cienaga de Oro sandstone reservoir target.
- On July 15, 2019, the Corporation announced that the Ocarina 1 exploration well located on the VIM 5 E&P Contract encountered 530 ft of gross gas pay between 6,384 and 6,914 ft true vertical depth within the primary Cienaga de Oro sandstone reservoir target.
- On October 10, 2019, the Corporation announced that the Clarinete 4 development well located on the VIM 5 E&P Contract encountered 297 ft true vertical depth of net gas pay within the primary Cienaga de Oro sandstone reservoir target.

### **Recent Developments**

Operational updates subsequent to the period ended December 31, 2019 include:

- On February 24, 2020, the Corporation announced that the Nelson 14 development well located on the Esperanza E&E Contract encountered 309 ft true vertical depth of net gas pay within the Cienaga de Oro sandstone reservoir.

### **Significant Acquisitions**

During the period ended December 31, 2019, the Corporation did not complete any significant acquisitions as defined in NI 51-102.

## **DESCRIPTION OF THE BUSINESS**

### **General**

The Corporation is a leading independent exploration and production company focused on the exploration and commercialization of conventional natural gas in northern Colombia. The Corporation's asset portfolio encompasses production, development, appraisal and exploration properties. All of the Corporation's oil and gas operations are currently located in Colombia concentrated in the Llanos and Magdalena regions. The Corporation's core natural conventional gas exploration and production assets, the Esperanza E&E Contract

and the VIM 5, VIM 19, and VIM 21 E&P Contracts, are located in the Lower Magdalena basin in northern Colombia. See also “*Description of the Business and Operations – Principal Properties and Operations*”.

### **Exploration and Development Strategy**

The near-term business plan of the Corporation is to continue growing its production and reserves base through a combination of exploration, property development and acquisitions. To accomplish this, Canacol continues to pursue an integrated growth strategy including exploration and development drilling in its core areas of Colombia, farm-in opportunities, farm-out opportunities, further land acquisitions and swaps of property interests.

Additionally, potential asset and/or corporate acquisitions will be considered to further supplement the growth strategy of the Corporation. It is anticipated that any future acquisitions would be financed through a combination of cash flow and additional equity and/or debt. The Corporation will seek out, analyze and complete asset and/or corporate acquisitions where value creation opportunities have been identified that have the potential to increase Shareholder value and returns, taking into account the Corporation’s financial position, taxability and access to debt and equity financing.

Management of the Corporation has industry experience in several producing areas in addition to the Corporation’s geographic areas of interest and has the capability to expand the scope of the Corporation’s activities as opportunities arise.

The Corporation is largely opportunity driven and will focus its expenditures in areas that provide the greatest economic return to the Corporation, recognizing that all drilling involves substantial risk and that a high degree of competition exists for prospects. No assurance can be given that drilling will prove successful in establishing commercially recoverable reserves. See “*Risk Factors*”.

### **Competitive Conditions**

The oil and gas industry is highly competitive. The Corporation’s position in the oil and gas industry, which includes the search for and development of new sources of supply, is particularly competitive. The Corporation’s competitors include major, intermediate and junior oil and gas companies and other individual producers and operators, many of which have substantially greater financial and human resources and more developed and extensive infrastructure. The Corporation’s larger competitors, by reason of their size and relative financial strength, can more easily access capital markets and may enjoy a competitive advantage in the recruitment of qualified personnel. They may be able to more easily absorb the burden of any changes in laws and regulations in the jurisdictions in which the Corporation does business, adversely affecting the Corporation’s competitive position. The Corporation’s competitors may be able to pay more for producing oil and gas properties and may be able to define, evaluate, bid for, and purchase a greater number of properties and prospects. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly. The Corporation’s ability to acquire additional properties in the future will depend upon the Corporation’s ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies, and consummate transactions in a highly competitive environment. The oil and gas industry also competes with other industries in supplying energy, fuel and other needs of consumers.

### **Cyclical Nature of Business**

The Corporation’s business is generally not cyclical. The exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variation, including rainy seasons, affects access in certain circumstances. See “*Risk Factors*”.

## Specialized Skill and Knowledge

Operations in the oil and natural gas industry mean that Canacol requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production of hydrocarbons, the Corporation utilizes the expertise of geophysicists, geologists and petroleum engineers. The Corporation faces the challenge of attracting and retaining sufficient employees to meet its needs. See “Risk Factors”.

## Employees

As at December 31, 2019, the Corporation had approximately 388 full-time equivalent employees worldwide, of which 115 full-time employees are working in the exploration and production segment. In addition, the Corporation utilizes, as required from time to time, the services of professionals on a contract or consulting basis.

## Foreign Operations

The Corporation’s oil and gas operations and assets are located in a foreign jurisdiction. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes, sometimes frequent, in energy policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation’s operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections. Changes in legislation may affect the Corporation’s oil and natural gas exploration and production activities. The Corporation’s international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investment. See “Risk Factors”.

## Environmental Protection and Trends in Environmental Regulation

The Corporation and others in the oil and gas industry are subject to various levels of government regulation relating to the protection of the environment in the countries in which it operates. The Corporation believes that its operations comply in all material respects with applicable environmental laws.

Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. As well, environmental laws regulate the qualities and compositions of the products sold and imported. Environmental legislation also requires that wells, facility sites and other properties associated with the Corporation’s operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and significant changes to certain existing projects, may require the submission and approval of environmental impact assessments. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties and liability for clean-up costs and damages.

Historically, environmental protection requirements have not had a significant financial or operational effect on the Corporation’s capital expenditures, earnings or competitive position. Environmental requirements did not have a significant effect on such matters in fiscal 2019; however, as the trend towards stricter standards in environmental legislation and regulation continue, the Corporation anticipates increased capital and operating expenditures as a result. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Corporation’s financial condition, capital expenditures, results of operations, competitive position or prospects. See “Risk Factors”.

## Environment, Health and Safety Policies

The Corporation's main environmental strategies include the preparation of comprehensive environmental impact assessments and assembling project-specific environmental management plans. Canacol encourages local community engagement in environmental planning in order to create a positive relationship between the oil and gas business and existing local industries. The Corporation's practice is to do all that it reasonably can to ensure that it remains in material compliance with environmental protection legislation. Canacol is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. Monitoring and reporting programs for environment, health and safety ("EH&S") performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. The Corporation maintains an active comprehensive integrity monitoring and management program for its facilities, storage tanks and pipelines. Contingency plans are in place for a timely response to an environmental event and abandonment, remediation and reclamation programs are in place and utilized to restore the environment. The Corporation also performs a detailed due diligence review as part of its acquisition process to determine whether the assets to be acquired are in regulatory and environmental compliance and assess any liabilities with respect thereto. Management is responsible for reviewing the Corporation's internal control and its EH&S strategies and policies, including the Corporation's emergency response plan. Management reports to the Board of Directors through the Reserves Committee with respect to EH&S matters.

## PRINCIPAL PROPERTIES AND OPERATIONS

The following is a description of the Corporation's principal oil and gas properties and operations as at December 31, 2019.

### Colombia

In Colombia, the ANH is the administrator of the hydrocarbons in the country and therefore is responsible for regulating the Colombian oil and gas industry, including managing all exploration lands. The ANH uses an exploration risk contract, or the E&P Contract, which provides full risk/reward benefits for the contractor. Under the terms of this contract, the successful operator retains the rights to all reserves, production and income from any new exploration block, subject to existing royalty and tax regulations. Each contract contains an exploration phase and a production phase. The exploration phase contains a number of exploration periods and each period has an associated work commitment. The production phase lasts a number of years (usually 24) from the declaration of a commercial hydrocarbon discovery.

When operating under a contract, the contractor is the owner of the hydrocarbons extracted from the contract area during the performance of operations, except for royalty volumes which are collected by the ANH (or its designee). The contractor can market the hydrocarbons in any manner whatsoever, subject to a limitation in the case of natural emergencies where the law specifies the manner of sale.

The following summary chart sets out general information regarding the Corporation's Colombian oil and gas properties and operations as at December 31, 2019.

Asset	Oil/Gas	Type	Status	Gross Acres	Net Acres	Canacol Working Interest %	Partner(s)	Contract Type
<b>Lower Magdalena Basin</b>								
1 VIM 5	Gas	Conventional	Exploration	638,502	638,502	100%		ANH
2 VIM 19	Gas	Conventional	Exploration	62,075	62,075	100%		ANH
3 VIM 21	Gas	Conventional	Exploration	51,107	51,107	100%		ANH
4 VIM 33	Gas	Conventional	Exploration	155,310	155,310	100%		ANH
5 Esperanza	Gas	Conventional	Production	33,203	33,203	100%		ANH

Asset	Oil/Gas	Type	Status	Gross Acres	Net Acres	Canacol Working Interest %	Partner(s)	Contract Type
6 SSJN-7	Gas	Conventional	Exploration	670,226	335,113	50%	ONGC Videsh Ltd. (50%)	ANH
<b>Magdalena Basin</b>								
7 VMM 2	Oil	Unconventional	Exploration	73,056	14,611	20%	ConocoPhillips (80% operator)	ANH
8 VMM 3	Oil	Unconventional	Exploration	83,311	16,662	20%	ConocoPhillips (80% operator)	ANH
9 VMM 45	Gas	Conventional	Exploration	12,422	12,422	100%		ANH
10 VMM 49	Gas	Conventional	Exploration	148,244	148,244	100%		ANH
<b>Llanos Basin</b>								
11 Rancho Hermoso <sup>(1)</sup>	Oil	Conventional	Production	10,238	10,238	100%	Ecopetrol	Ecopetrol
<b>Total</b>				<b>1,937,694</b>	<b>1,477,487</b>			

**Note:**

- (1) On December 2, 2019, the Corporation entered into an agreement for the sale of its interests in the Rancho Hermoso block with an arm's length purchaser in consideration for the assumption of contractual work commitments on the block by the purchaser. The transfer of the interest is subject to ANH approval.

The following is a description of the Corporation's material Colombian oil and gas properties and operations as at December 31, 2019.

**Lower Magdalena Basin**

The Magdalena Basin located in north-central Colombia between the Central and Eastern Ranges of the Andes. The Lower Magdalena Valley Basin is a triangular transtensional basin, bounded to the west and north by the Romeral fault system and to the south and southeast by the metamorphic and igneous complex of the central Cordillera and the Serrania de San Lucas. To the east of the basin is the northern portion of the Bucaramanga-Santa Marta fault system. Traps in this basin are often associated with high side closures in contractional faults, flower structures related to transpression, and rollovers in the hanging wall of listric normal faults as well as stratigraphy. The shales of the upper Porquero Formation have been generally defined as the regional seal of the basin. The Porquero and Cienaga de Oro formations are the two main proven reservoir units within the contract portfolio of Canacol.

*VIM 5 E&P Contract*

The Corporation obtained its working interest in the VIM 5 E&P Contract through the acquisition of this block from OGX. The Corporation, through its wholly owned subsidiary, CNE Oil & Gas S.A.S., owns a 100% working interest in the VIM 5 block located in the Departments of Sucre and Cordoba.

This block is currently in phase 2 of the exploration period which ends on April 13, 2020 and commitments for this phase were fulfilled with the acquisition of Guacharaca 3D survey and the drilling of the Oboe-1, Pandereta-1 and Chirimía A3 wells. On April 14, 2020, phase 1 of the subsequent exploration period (PEP) will start with a duration of 18 months and an exploratory commitment of drilling one A3 well. This commitment has been fulfilled with the drilling of the Gaiteros-1 well. For the phase 2 of PEP, the Corporation intends to fulfill this commitment with the drilling of the Porro Norte-1 A3 well.

The VIM 5 block contains one producing gas field (Clarinete) and three evaluation areas (Pandereta, Acordeón and Ocarina) operated under a contract with the ANH and produces dry natural gas for sale to local customers under long-term contracts. The most significant field is Clarinete; however, the Corporation expects the Pandereta field to be tied into the Jobo processing facility in 2020. The average daily production of the VIM 5 block for the three months and year ended December 31, 2019 was 16,785 boe/d and 10,337 boe/d, respectively.

See also “General Development of the Business – Three Year History – Period From January 1, 2019 to December 31, 2019” for recent operational information for the VIM 5 E&P Contract.

#### *VIM 19 E&P Contract*

The Corporation holds a 100% working interest in the VIM 19 E&P Contract, which it acquired on December 16, 2014 from OGX. The VIM 19 E&P Contract is located in the Departments of Sucre and Cordoba covering a total area of 62,073 acres and is adjacent due east of the SSJN-7 E&P Contract. The existing 2D seismic data base has been interpreted and, based on its technical evaluation, the Corporation has identified a number of leads. The main target formation is the proven gas play associated with the Cienaga de Oro formation, which is the producing formation at both La Creciente and Ayombe-Guepaje fields, which are located in an adjacent block to VIM 19.

The VIM 19 E&P Contract is currently in phase 1 of a six year exploration period. As at the date hereof, phase 1 is suspended with pending work commitments, which include the acquisition of 125 km<sup>2</sup> of 3D seismic and the drilling of one A<sub>3</sub> well with geochemical and petro-physical analysis. The Corporation intends to acquire 140 Km<sup>2</sup> of Chande 3D seismic and has initiated basic surface pre-operative tasks.

#### *VIM 21 E&P Contract*

The Corporation holds a 100% working interest in the VIM 21 E&P Contract, which it acquired pursuant to the Shona Acquisition. The VIM 21 E&P Contract is located in the Departments of Sucre and Cordoba covering a total area of 51,107 acres and is adjacent to Esperanza E&E Contract and VIM 5 E&P Contract. The VIM 21 E&P Contract is currently in phase 2 of the exploration period which ends on June 12, 2021. The pending work commitments include the drilling of one A<sub>3</sub> well and 21 km<sup>2</sup> of 3D seismic acquisition. The Corporation intends to fulfill the pending work commitments with the drilling of the Fresa-1 well during the year ended December 31, 2020.

#### *VIM 33 E&P Contract*

The Corporation, through its wholly-owned subsidiary, CNE Oil & Gas S.A.S., holds a 100% working interest in the VIM 33 E&P Contract, which was awarded to the Corporation in a bid round (Proceso Permanente de Asignación de Areas Ciclo 2) administered by the ANH in 2019. The VIM 33 E&P Contract is located in the Lower Magdalena Basin covering a total area of 155,310 acres. The Corporation has committed to an exploratory work program, which includes 62 km<sup>2</sup> of 3D seismic and one A<sub>3</sub> exploration well over a three-year phase (phase 1). Once phase 1 is complete, the Corporation has the option to extend the exploratory work program by an additional three years (phase 2) on the VIM 33 E&P Contract.

#### *Esperanza E&E Contract*

The Corporation obtained its working interest in the Esperanza E&E Contract through the Shona Acquisition. The Corporation, through the Colombian branches of its wholly-owned subsidiaries, Geoproduction Oil and Gas GmbH and Shona Energy GmbH, owns a 100% working interest in the Esperanza block located in the Department of Cordoba in the Lower Magdalena Basin of Colombia.

The Esperanza block contains producing gas fields and one evaluation area (Cañahuate) operated under a contract with the ANH and produces dry natural gas for sale to local customers under long-term contracts. The most significant field is Nelson where the majority of the gas reserves are located. The average daily production of the Esperanza block for the three months and year ended December 31, 2019 was 14,245 boe/d and 14,263 boe/d, respectively.

The Esperanza E&E Contract is currently in the second phase of an extended subsequent exploratory period (PEP-2) which expires on December 4, 2020. The work commitments associated with PEP-2 are the drilling of

two additional A3 exploratory wells. The Corporation intends to fulfill the pending work commitments with the drilling of the Milano-1 and Faisan-1 A3 wells during the year ended December 31, 2020.

See also “General Development of the Business – Three Year History – Period From January 1, 2019 to December 31, 2019” and “General Development of the Business – Three Year History – Recent Developments” for recent operational information for the Esperanza E&E Contract.

#### *SSJN-7 E&P Contract*

On April 25, 2017, the Corporation announced that it had purchased a 50% operated interest in the SSJN-7 E&P Contract from Pacific Exploration and Production in consideration for the assumption of contractual exploration obligations to the ANH. ONGC Videsh Ltd. holds the remaining 50% working interest in the SSJN-7 E&P Contract.

The SSJN-7 Contract is 669,000 gross acres in size, and is situated between the VIM 5 and VIM19 E&P Contracts along both of the proven and productive Cienaga de Oro and Porquero gas play fairways, as evidenced by the position of large producing gas fields both to the north and to the south of the block. Historically, a number of exploration wells have been drilled, and two commercial discoveries in the Cienaga de Oro were developed on the block, namely the Chinu (1956) and El Deseo (1989) fields. To date, management of the Corporation has identified a number of leads based on the limited 2D seismic coverage on the block.

The block is currently in phase 1 of the exploration period, which was extended by ANH until December 18, 2020. The pending minimum work commitments of the current phase is the acquisition of 157 km<sup>2</sup> of 3D seismic and the drilling of one A3 exploratory well.

#### **Magdalena Basin**

##### *VMM 2 E&P Contract*

Located in the Middle Magdalena Basin, the VMM 2 E&P Contract is one of three adjacent contracts that expose the Corporation to a potentially large, unconventional shale oil fairway in the thick Cretaceous La Luna and Rosablanca formations analogous to the Eagle Ford formation.

ConocoPhillips is the operator under the VMM 2 E&P Contract holding a 80% working interest and Canacol, through its wholly-owned subsidiary Canacol Energy Colombia S.A.S., holds a 20% working interest.

The VMM 2 E&P Contract is currently in phase 1 (duration 36 months), which is currently suspended until the ANLA issues an environmental license. On October 23, 2017, the ANH authorized the transfer of \$7.46 million of the investment under the previously held E&P Contract for this block to the VMM 2 E&P Contract. On November 1, 2017, the ANH authorized the change of the minimum work commitments for phase 1. The pending minimum work commitment of the current phase is the drilling of one exploratory well (\$10 million), and the horizontal sidetrack from the vertical well (\$7.46 million).

##### *VMM 3 E&P Contract*

The VMM 3 E&P Contract was approved by the ANH on December 2, 2015 to develop non-conventional reservoirs in the VMM 3 block. ConocoPhillips is the operator under the VMM 3 E&P Contract (holding an 80% working interest) and Canacol, through its wholly-owned subsidiary, CNE Oil & Gas S.A.S., holds the other 20% working interest.

The VMM 3 E&P Contract is currently in phase 1 (duration 36 months), which is currently suspended. On December 5, 2016, the ANH authorized the transfer of \$2.2 million of the investment under the Santa Isabel E&P Contract to the VMM 3 E&P Contract. On November 30, 2016, the ANH authorized the restitution of 182 days to the term of the current phase. During the financial year ended December 31, 2017, the exploratory



commitments for phase 1 were completed. On December 24, 2018, the ANH approved the suspension of phase 1 until the ANLA has issued the environmental license for unconventional exploration.

#### *VMM 45 E&P Contract*

The Corporation, through its wholly-owned subsidiary, CNE Oil & Gas S.A.S., holds a 100% working interest in the VMM 45 E&P Contract, which was awarded to the Corporation in a bid round (Proceso Permanente de Asignación de Areas Ciclo 2) administered by the ANH in 2019. The VMM 45 E&P Contract is located in the Middle Magdalena Basin covering a total area of 12,422 acres. The Corporation has committed to an exploratory work program, which includes geological studies, the drilling one A3 exploration well and the reprocessing of 24 km<sup>2</sup> of 3D seismic over a three-year phase (phase 1). Once phase 1 is complete, the Corporation has the option to extend the exploratory work program by an additional three years (phase 2) on the VMM 45 E&P Contract.

#### *VMM 49 E&P Contract*

The Corporation, through its wholly-owned subsidiary, CNE Oil & Gas S.A.S., holds a 100% working interest in the VMM 49 E&P Contract, which was awarded to the Corporation in a bid round (Proceso Permanente de Asignación de Areas Ciclo 2) administered by the ANH in 2019. The VMM 49 E&P Contract is located in the Middle Magdalena Basin covering a total area of 148,244 acres. The Corporation has committed to an exploratory work program, which includes 200 km<sup>2</sup> of 3D seismic and three A3 exploration wells over a three-year phase (phase 1). Once phase 1 is complete, the Corporation has the option to extend the exploratory work program by an additional three years (phase 2) on the VMM 49 E&P Contract.

#### **Llanos Basin**

In September 2018, the Corporation sold the majority of its conventional oil assets to Arrow. As such, the Corporation's operations in the Llanos Basin during the year ended December 31, 2019 were engaged in the production of oil solely through its operated producing field, Rancho Hermoso. However, on December 2, 2019, the Corporation entered into an agreement for the sale of its interests in the Rancho Hermoso block with an arm's length purchaser in consideration for the assumption of contractual work commitments on the block by the purchaser. The transfer of the interest is subject to ANH approval.

The Llanos Basin is situated on the east side of the Andes Mountains and covers an area of approximately 200,000 km<sup>2</sup>. The basin is Colombia's most prolific hydrocarbon basin and contains the majority of Colombia's oil fields and proved oil reserves. The formation of the basin was initiated by Jurassic rifting and subsidence and ended with the late Miocene Andean Orogeny. The Andean Orogeny created the major north-south Andes Mountain Range extending from Colombia to the southern tip of South America. The rifting followed by the thrusting and uplift resulted in a structural style that is characterized by deep rooted high angle thrust and normal faults associated with low amplitude closures oriented NNE-SSW.

#### *Rancho Hermoso Field*

Rancho Hermoso is a mature oil field governed by an Ecopetrol contract. The contract holds three work overs and the abandonment of three wells as pending commitments.

Crude oil production from Rancho Hermoso falls under either: i) "non-tariff", which represents crude oil produced under a production sharing contract with Ecopetrol; or ii) "tariff" production, which represents crude oil produced under a risk service contract with Ecopetrol whereby the Corporation receives a set tariff price of \$17.36 per gross barrel of oil produced. Tariff production is limited to one specific formation, the Mirador formation, while non-tariff production is derived from the remaining formations, including the Ubaque, Guadalupe, Barco Los Cuervos, Carbonera and Gacheta. For the year ended December 31, 2019, the Corporation's net share before royalties averaged 27.1%

Under the Amendment No. 1 dated October 30, 2015, Ecopetrol assumed 40% of the gross operation expenditures. Amendment No. 1 fixes such expenditures at \$15 per gross bbl of production as long as the WTI crude oil price is \$70 per bbl or less.

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

### Date of Statement

This Statement of Reserves Data and Other Oil and Gas Information is dated December 31, 2019 unless indicated otherwise.

### Disclosure of Reserves Data

The reserves data set forth herein is based upon an evaluation completed by BGEC set out in the BGEC Report dated February 14, 2020 with an effective date of December 31, 2019. The reserves data contained herein summarizes the Corporation's crude oil, natural gas and NGL reserves and the net present values of future net revenue for such reserves using forecast prices and costs as at December 31, 2019.

The BGEC Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101 and the COGE Handbook. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Canacol believes is important to readers of this Annual Information Form. The Corporation engaged BGEC to provide an evaluation of proved, probable, and possible reserves.

All of the Corporation's reserves are located in Colombia. In preparing the BGEC Report, basic information was provided to BGEC by the Corporation, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluations and upon which the BGEC Report is based, was obtained from public records, other operators and from BGEC's non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the BGEC Report, from all sources, was accepted by BGEC as represented.

The tables and information contained herein, show the estimated share of the Corporation's reserves and the present value of estimated future net revenue for these reserves, using forecast prices and costs as indicated. The discounted and undiscounted net present value of future net revenues attributable to reserves do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

**All evaluations and reviews of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned and future site restoration and reclamation costs for wells in Colombia to which reserves have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of the fair market value of the Corporation's properties. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and estimates of reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein. See "Risk Factors".**

The tables summarize the data contained in the BGEC Report and, as a result, may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

All references to \$ or US\$ in this Statement of Reserves Data and Other Oil and Gas Information are United States dollars. All references to C\$ are to Canadian dollars. Estimated future net revenue are presented in United States dollars effective December 31, 2019.

### Forecast Prices Used in Estimates

The following table sets forth the forecasted gas prices, as at December 31, 2019, reflected in the reserves data. These forecasted gas prices were provided by the Corporation to BGEF based on gas contract pricing secured by the Corporation through various gas sales contracts. Inflation varies in each gas contract and ranges from 2% to 4% per annum.

Year	Volume Weighted Average Gas Price \$/MMBTU
2019 (Actual Weighted Average)	4.76
2020	5.41
2021	5.59
2022	5.87
2023	6.19
2024	7.63
2025	7.88
2026	7.85
2027	7.86
2028	8.05
2029	8.29
2030	8.45
2031	8.62
2031+	Escalate gas prices at 2% per year thereafter

### Disclosure of Reserves Data

The following table provides a summary of the Corporation's reserves as of December 31, 2019 using forecast prices and costs.

RESERVES CATEGORY	RESERVES									
	Light & Medium Crude Oil		Heavy Crude Oil		Conventional Natural Gas <sup>(1)</sup>		Natural Gas Liquids		Total BOE <sup>(4)</sup>	
	Gross <sup>(2)</sup> (Mbbbl)	Net <sup>(3)</sup> (Mbbbl)	Gross <sup>(2)</sup> (Mbbbl)	Net <sup>(3)</sup> (Mbbbl)	Gross <sup>(2)</sup> (MMcf)	Net <sup>(3)</sup> (MMcf)	Gross <sup>(2)</sup> (Mbbbl)	Net <sup>(3)</sup> (Mbbbl)	Gross <sup>(2)</sup> (Mboe)	Net <sup>(3)</sup> (Mboe)
Proved										
Developed Producing	-	-	-	-	251,865	211,464	-	-	44,187	37,099
Developed Non-Producing	-	-	-	-	66,728	54,485	-	-	11,707	9,559
Undeveloped	-	-	-	-	75,555	62,473	-	-	13,255	10,960
<b>Total Proved</b>	-	-	-	-	<b>394,148</b>	<b>328,422</b>	-	-	<b>69,149</b>	<b>57,618</b>
Probable	-	-	-	-	229,610	196,356	-	-	40,282	34,448
<b>Total Proved Plus Probable</b>	-	-	-	-	<b>623,758</b>	<b>524,778</b>	-	-	<b>109,431</b>	<b>92,066</b>
Possible	-	-	-	-	261,080	221,860	-	-	45,804	38,923
<b>Total Proved Plus Probable Plus Possible</b>	-	-	-	-	<b>884,838</b>	<b>746,638</b>	-	-	<b>155,235</b>	<b>130,989</b>

#### Notes:

- (1) Estimates of reserves of natural gas include associated and non-associated gas. There is no associated gas in this property.
- (2) "Gross Reserves" are the Corporation's working interest reserves before the deduction of royalties.
- (3) "Net Reserves" are the Corporation's working interest reserves after deductions of royalty obligations plus the Corporation's royalty interests.
- (4) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (5) The numbers in this table may not add exactly due to rounding.

The following table provides a summary of Canacol's net present value of future net revenues as of December 31, 2019 using forecast prices and costs.

RESERVES CATEGORY	Net Present Value (NPV) of Future Net Revenues (FNR) <sup>(1)(2)(3)</sup>										Before Deducting Future Income Tax Expense - Discounted at 10%/yr (\$/BOE) <sup>(4)</sup>
	Before Deducting Future Income Tax Expense - Discounted at (%/yr)					After Deducting Future Income Tax Expense - Discounted at (%/yr)					
	0 (M US\$)	5 (M US\$)	10 (M US\$)	15 (M US\$)	20 (M US\$)	0 (M US\$)	5 (M US\$)	10 (M US\$)	15 (M US\$)	20 (M US\$)	
Proved											
Developed Producing	1,153,258	997,464	877,181	782,394	706,333	915,163	795,713	703,268	630,248	571,518	23.64
Developed Non-Producing	357,860	287,040	235,122	196,231	166,521	256,525	205,078	167,364	139,116	117,543	24.60
Undeveloped	356,967	285,466	232,730	192,934	162,277	253,304	201,277	162,814	133,729	111,283	21.23
<b>Total Proved</b>	<b>1,868,085</b>	<b>1,569,970</b>	<b>1,345,033</b>	<b>1,171,559</b>	<b>1,035,131</b>	<b>1,424,992</b>	<b>1,202,068</b>	<b>1,033,446</b>	<b>903,093</b>	<b>800,344</b>	<b>23.34</b>
Probable	1,415,131	1,051,068	799,925	622,079	493,170	993,212	730,464	549,721	422,131	329,972	23.22
<b>Total Proved Plus Probable</b>	<b>3,283,216</b>	<b>2,621,038</b>	<b>2,144,958</b>	<b>1,793,638</b>	<b>1,528,301</b>	<b>2,418,204</b>	<b>1,932,532</b>	<b>1,583,167</b>	<b>1,325,224</b>	<b>1,130,316</b>	<b>23.30</b>
Possible	1,714,018	1,101,628	734,366	505,886	358,971	1,199,874	764,325	503,991	342,672	239,417	18.87
<b>Total Proved Plus Probable Plus Possible</b>	<b>4,997,234</b>	<b>3,722,666</b>	<b>2,879,324</b>	<b>2,299,524</b>	<b>1,887,272</b>	<b>3,618,078</b>	<b>2,696,857</b>	<b>2,087,158</b>	<b>1,667,896</b>	<b>1,369,733</b>	<b>21.98</b>

**Notes:**

- (1) NPV of FNR includes all resource income: Sale of oil, gas, by-product reserves; Processing of third party Reserves; Other income.
- (2) Income taxes include all resource income, appropriate income tax calculations and prior tax pools.
- (3) The unit values are based on net reserve volumes before income tax (BFIT).
- (4) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (5) The numbers in this table may not add exactly due to rounding.

The following table sets forth Canacol's total future net revenues (undiscounted) as of December 31, 2019 using forecast prices and costs.

RESERVES CATEGORY	Revenue (M US\$)	Royalties (M US\$)	Operating Costs <sup>(2)</sup> (M US\$)	Development & Reclamation Costs (M US\$)	Abandonment & Reclamation Costs (M US\$)	Future Net Revenues BT <sup>(1)</sup> (M US\$)	Future Income Tax Expenses (M US\$)	Future Net Revenues AT <sup>(1)</sup> (M US\$)
Total Proved	2,558,088	434,121	173,790	73,941	8,152	1,868,085	443,093	1,424,992
Total Proved Plus Probable	4,298,311	688,247	225,968	91,310	9,569	3,283,216	865,012	2,418,204
Total Proved Plus Probable Plus Possible	6,389,898	1,003,417	286,701	92,064	10,482	4,997,234	1,379,156	3,618,078

**Notes:**

- (1) BT= Before deducting future income tax expenses and AT= After deducting future income tax expenses.
- (2) Operating cost less processing and other income.
- (3) The numbers in this table may not add exactly due to rounding.

The following table sets forth Canacol's net present value of future net revenues by product type as of December 31, 2019 using forecast prices and costs.

RESERVES CATEGORY	PRODUCT TYPE	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr) <sup>(1)</sup> (M US\$)	Net Present Value of Future Net Revenues BFIT Discounted (10%/yr) <sup>(1)(2)</sup> (\$/BOE)
<b>Total Proved</b>	Bitumen	-	-
	Coal Bed Methane	-	-
	Conventional Natural gas (including by-products but excluding solution gas and by-products from oil wells)	1,345,033	23.34
	Gas Hydrates	-	-
	Heavy Crude Oil (including solution gas and other by-products)	-	-
	Light Crude Oil & Medium Crude Oil (including solution gas and other by-products)	-	-
	Natural Gas Liquids	-	-
	Shale Gas	-	-
	Synthetic Crude Oil	-	-
	Synthetic Gas	-	-
	Tight Oil	-	-
	<b>Total</b>	<b>1,345,033</b>	<b>23.34</b>
<b>Total Proved Plus Probable</b>	Bitumen	-	-
	Coal Bed Methane	-	-
	Conventional Natural gas (including by-products but excluding solution gas and by-products from oil wells)	2,144,958	23.30
	Gas Hydrates	-	-
	Heavy Crude Oil (including solution gas and other by-products)	-	-
	Light Crude Oil & Medium Crude Oil (including solution gas and other by-products)	-	-
	Natural Gas Liquids	-	-
	Shale Gas	-	-
	Synthetic Crude Oil	-	-
	Synthetic Gas	-	-
	Tight Oil	-	-
	<b>Total</b>	<b>2,144,958</b>	<b>23.30</b>
<b>Total Proved Plus Probable Plus Possible</b>	Bitumen	-	-
	Coal Bed Methane	-	-
	Conventional Natural gas (including by-products but excluding solution gas and by-products from oil wells)	2,879,324	21.98
	Gas Hydrates	-	-
	Heavy Crude Oil (including solution gas and other by-products)	-	-
	Light Crude Oil & Medium Crude Oil (including solution gas and other by-products)	-	-
	Natural Gas Liquids	-	-
	Shale Gas	-	-
	Synthetic Crude Oil	-	-
	Synthetic Gas	-	-
	Tight Oil	-	-
	<b>Total</b>	<b>2,879,324</b>	<b>21.98</b>

**Notes:**

- (1) The unit values are based on net reserve volumes before deducting future income tax expenses (BFIT).
- (2) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
- (3) The numbers in this table may not add exactly due to rounding.

## Reconciliations of Changes in Reserves

The following table set forth the reconciliation of Canacol's gross reserves by principal product type using forecast prices and cost estimates as of December 31, 2019.

	Total Oil (Mbbl)	Light & Medium Crude Oil (Mbbl)	Heavy Crude Oil (Mbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total (Mboe)
<b>Total Proved</b>						
<b>Opening Balance (December 31, 2018)</b>	-	-	-	380,155	-	66,694
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions <sup>(1)</sup>	-	-	-	31,892	-	5,595
Discoveries	-	-	-	34,508	-	6,054
Acquisitions <sup>(2)</sup>	-	-	-	-	-	-
Dispositions <sup>(2)</sup>	-	-	-	-	-	-
Economic Factors <sup>(3)</sup>	-	-	-	-	-	-
Production	-	-	-	(52,407)	-	(9,194)
<b>Closing Balance (December 31, 2019)</b>	-	-	-	394,148	-	69,149
<b>Total Probable</b>						
<b>Opening Balance (December 31, 2018)</b>	-	-	-	178,731	-	31,356
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions <sup>(1)</sup>	-	-	-	16,073	-	2,820
Discoveries	-	-	-	34,806	-	6,106
Acquisitions <sup>(2)</sup>	-	-	-	-	-	-
Dispositions <sup>(2)</sup>	-	-	-	-	-	-
Economic Factors <sup>(3)</sup>	-	-	-	-	-	-
Production	-	-	-	-	-	-
<b>Closing Balance (December 31, 2019)</b>	-	-	-	229,610	-	40,282
<b>Total Proved + Probable</b>						
<b>Opening Balance (December 31, 2018)</b>	-	-	-	558,886	-	98,050
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions <sup>(1)</sup>	-	-	-	47,965	-	8,415
Discoveries	-	-	-	69,314	-	12,160
Acquisitions <sup>(2)</sup>	-	-	-	-	-	-
Dispositions <sup>(2)</sup>	-	-	-	-	-	-
Economic Factors <sup>(3)</sup>	-	-	-	-	-	-
Production	-	-	-	(52,407)	-	(9,194)
<b>Closing Balance (December 31, 2019)</b>	-	-	-	623,758	-	109,431
<b>Total Proved + Probable + Possible</b>						
<b>Opening Balance (December 31, 2018)</b>	-	-	-	739,384	-	129,716
Extensions	-	-	-	-	-	-
Improved Recovery	-	-	-	-	-	-
Technical Revisions <sup>(1)</sup>	-	-	-	82,943	-	14,551
Discoveries	-	-	-	114,918	-	20,161
Acquisitions <sup>(2)</sup>	-	-	-	-	-	-
Dispositions <sup>(2)</sup>	-	-	-	-	-	-
Economic Factors <sup>(3)</sup>	-	-	-	-	-	-
Production	-	-	-	(52,407)	-	(9,194)
<b>Closing Balance (December 31, 2019)</b>	-	-	-	884,838	-	155,235

### Notes:

- (1) Includes technical revisions due to reservoir performance, geological and engineering changes and working interest changes resulting from the timing of interest reversions.
- (2) Includes production attributable to any acquired interests from the acquisition date to effective date of the report and

- production realized from disposed interests from the opening balance date to the effective date of disposition.
- (3) Includes economic revisions related to price, royalty factor changes and change in economic limits.
  - (4) BOE have been reported based on natural gas conversion of 5.7Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.
  - (5) The numbers in this table may not exactly add due to rounding.

## **Additional Information Relating to Reserves Data**

### ***Undeveloped Reserves***

The Corporation attributes proved, probable, and possible undeveloped reserves based on accepted engineering and geological practices as defined under NI 51-101. These practices include the determination of reserves based on the presence of commercial test rates from either production tests or drill stem tests, extensions of known accumulations based upon either geological or geophysical information and the optimization of existing fields.

Subject to the success of operations, within the next two years, the Corporation has set forth below its plans regarding the development of proved, probable and possible undeveloped reserves. The Corporation's undeveloped reserves will be developed through further drilling and recompletions of existing wells within the following contracts and fields:

#### *Esperanza E&E Contract*

##### Nelson

- Nelson 14 was spud on January 11, 2020 and reached total depth on January 30, 2020. The Nelson 14 well has been placed on production.
- The Porquero wells (Nelson 9 and 10) are in the drilling inventory and scheduled for 2021.

##### Palmer

- Palmer 2 was drilled in 2019 but did not drill into the Middle Cienaga de Oro. The wells in the Palmer field currently produce from the Upper Cienaga de Oro and once these formations are depleted, the Corporation intends to develop the underlying Middle Cienaga de Oro. The estimated timing of developing the Middle Cienaga de Oro is 2022.

##### Cañahuate

- Laguneta 1 is a proposed and budgeted location for 2020, pending ANH approval.

##### Cañandonga

- Cañandonga 1 is awaiting completion, testing and tie-in. This work is scheduled for 2020.

#### *VIM 5 E&P Contract*

##### Clarinete

- Clarinete 5 is a proposed and budgeted location for 2020. This well was spud on March 5, 2020 and is currently being drilled.

### Oboe

- In 2019 the civil works for the Oboe 2 drilling pad was initiated and partially constructed. This well is a proposed and budgeted location for 2020.

### Ocarina

- Ocarina 2 is a proposed and budgeted location for 2020.

### VIM 21 E&P Contract

### Arandala

- Arandala 1 is awaiting completion, testing and tie-in. This work is expected in 2020.

The Corporation anticipates that the 2020/2021 drilling and recompletions schedule will focus on these areas and on other opportunities arising from the Corporation's exploration programs; however, drilling plans are affected by economic considerations. The Corporation has presently set about executing its approved fiscal 2020 drilling plan. Undeveloped reserves, like all projects, are subject to competition for capital and consequently may be delayed or accelerated from time to time. For more information, see "Risk Factors" herein.

The following table sets out the volume of the Corporation's proved undeveloped and probable undeveloped reserves over the most recent three financial years and the amount of reserves first attributed in each of those years.

Reserves Category	Light & Medium Crude Oil Gross (Mbbbl)		Heavy Crude Oil Gross (Mbbbl)		Conventional Natural Gas Gross (MMcf)		NGLs Gross (MMcf)	
	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end	First Attributed	Cumulative at year end
<b>Proved Undeveloped</b>								
Prior to 2017	-	2,037	-	2,073	24,301	44,664	-	-
2017	-	2,079	141	1,875	3,966	51,170	-	-
2018	-	-	-	-	85,492	89,458	-	-
2019	-	-	-	-	58,601	75,554	-	-
<b>Probable Undeveloped</b>								
Prior to 2017	-	556	-	2,835	62,871	68,309	-	-
2017	-	575	678	3,844	11,706	109,900	-	-
2018	-	-	-	-	70,412	73,066	-	-
2019	-	-	-	-	42,614	78,133	-	-

#### Note:

- (1) The numbers in this table may not add exactly due to rounding.

### **Significant Factors or Uncertainties Affecting Reserves Data**

#### *General*

The Corporation does not anticipate any significant economic factors or significant uncertainties will affect any particular components of the reserves data, including with respect to properties with no attributed reserves. However, there are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Corporation. The reserve data included herein represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the associated future net cash flows are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. For those reasons, estimates of the economically



recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and associated estimates of future net revenues expected, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Corporation with respect to these reserves will vary from such estimates, and such variances could be material.

Estimates with respect to proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be substantial, in the estimated reserves.

Consistent with the securities disclosure legislation and policies of Canada, the Corporation has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows will also be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

#### *Abandonment and Reclamation Costs*

The following table sets forth abandonment and reclamation costs deducted in the estimation of the Corporation's future net revenue using forecast prices and costs:

	<b>Abandonment and Reclamation Costs</b> <b>(M US \$)</b>
<b>Total Proved Reserves</b>	
<b>Year</b>	
2020	-
2021	619
2022	423
2023	863
2024	894
<b>Remaining</b>	<b>5,353</b>
<b>Undiscounted</b>	<b>8,152</b>
<b>Discounted @ 10%</b>	<b>4,426</b>
<b>Total Proved plus Probable Reserves</b>	
<b>Year</b>	
2020	-
2021	-
2022	-
2023	430
2024	450
<b>Remaining</b>	<b>8,689</b>
<b>Undiscounted</b>	<b>9,569</b>
<b>Discounted @ 10%</b>	<b>4,030</b>

**Note:**

(1) The numbers in this table may not add exactly due to rounding.

## Future Development Costs

The following table outlines the forecast for future development costs associated with the Corporation's assets and properties for the reserves categories noted below, calculated on an undiscounted and a discounted (10%) basis.

Year	Future Development Costs Forecast Prices & Costs	
	For Proved Reserves (M US\$)	For Proved + Probable Reserves (M US\$)
	2020	38,900
2021	21,438	20,433
2022	10,769	19,702
2023	817	541
2024	276	2,248
<b>Remaining</b>	<b>1,741</b>	<b>5,936</b>
<b>Total</b>	<b>73,941</b>	<b>91,310</b>
<b>Undiscounted</b>	<b>73,941</b>	<b>91,310</b>
<b>Discounted @ 10%</b>	<b>62,853</b>	<b>74,563</b>

### Notes:

- (1) Future Development Costs shown are associated with booked reserves in the BGEC Report and do not necessarily represent the Corporation's full exploration and development budget.
- (2) The numbers in this table may not add exactly due to rounding.

Generally, the Corporation has three sources of funding to finance its capital expenditure programs: (i) cash on hand and internally generated cash flows from operations; (ii) debt financing, when appropriate; and (iii) new equity issues, if available on favourable terms. Management does not anticipate that the costs of funding referred to above will materially affect the Corporation's disclosed reserves and future net revenues or will make the development of any of the Corporation's properties uneconomic. The Corporation plans its capital program on a calendar year basis.

## Other Oil and Gas Information

### Oil and Gas Wells

The following table summarizes Canacol's interests, by region and on a consolidated basis, as at December 31, 2019, in oil and gas wells which are producing or which are considered capable of production. All wells considered capable of production have been standing for a period of less than one year, are within economic distance of transportation facilities and are classified as proved developed non-producing reserves in the BGEC Report. All of the Corporation's properties are located onshore.

	Oil Wells				Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Colombia</b>								
Rancho Hermoso	7.0	2.1	8.0	2.4	-	-	-	-
VIM 5	-	-	-	-	7.0	7.0	4.0	4.0
VIM 21	-	-	-	-	1.0	1.0	2.0	2.0
Esperanza	-	-	-	-	12.0	12.0	6.0	6.0
<b>Total</b>	<b>7.0</b>	<b>2.1</b>	<b>8.0</b>	<b>2.4</b>	<b>20.0</b>	<b>20.0</b>	<b>12.0</b>	<b>12.0</b>

See "Description of the Business and Operations – Principal Properties and Operations" for a discussion of the Corporation's properties.

### **Properties with no Attributed Reserves**

As at December 31, 2019, the Corporation had approximately 732,301 gross (397,188 net) acres of unproved property. This acreage is situated in Colombia. No reserves have been assigned to this acreage.

Undeveloped acreage includes rights granted pursuant to exploration contracts or license contracts, which require certain work commitments. First term commitments for exploration licenses typically include evaluation of existing data and acquisition, processing and interpretation of additional seismic to be acquired by the Corporation. Subsequent terms typically involve drilling exploration wells. If, at the end of the exploration term, the Corporation elects not to proceed with additional work commitments, all or a portion of this acreage may be relinquished.

In the event of exploration success on certain acreage, pipeline and facility construction would be required in order to fully develop the field.

As at December 31, 2019, the Corporation had no unproved property in which its rights to explore, develop and exploit will, absent further action, expire within one year.

See also “Significant Factors or Uncertainties Affecting Reserves Data” and “Risk Factors” herein.

### **Forward Contracts**

Other than fixed price gas sale contracts and transportation agreements entered into by the Corporation in the ordinary course of business, Canacol is not bound by any agreement, directly or through an aggregator, under which it is precluded from fully realizing, or may be protected from the full effect of, future market prices for crude oil or natural gas. Canacol’s transportation obligations or commitments for future physical deliveries of natural gas are not expected to vary significantly from Canacol’s future forecasted production.

### **Tax Horizon**

The Corporation was taxable in Colombia and Switzerland for the year ended December 31, 2019.

### **Costs Incurred**

The following table summarizes capital expenditures related to the Corporation’s activities for the year ended December 31, 2019, separated into its business units.

	Colombia (M\$)	Other (M\$)	Total (M\$)
Development Costs	34,945	1,833	36,778
Exploration Costs	78,215	-	78,215
Net Property Acquisition Costs			
Proved Properties	(14,506)	-	(14,506)
Unproved Properties	-	-	-
<b>Total Capital Expenditures</b>	<b>98,654</b>	<b>1,833</b>	<b>100,487</b>

## Exploration and Development Activities

The following table summarizes the gross and net exploratory and development wells in which the Corporation and its subsidiaries participated during the year ended December 31, 2019.

	Exploration Wells		Development Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>Colombia<sup>(1)(2)</sup></b>						
Oil wells	-	-	-	-	-	-
Gas wells	3.00	3.00	3.00	3.00	6.00	6.00
Service wells	-	-	-	-	-	-
Stratigraphic test wells	-	-	-	-	-	-
Dry holes	-	-	1.00	1.00	1.00	1.00
<b>Total</b>	<b>3.00</b>	<b>3.00</b>	<b>4.00</b>	<b>4.00</b>	<b>7.00</b>	<b>7.00</b>
<b>Success Rate</b>	<b>100%</b>	<b>100%</b>	<b>75%</b>	<b>75%</b>	<b>86%</b>	<b>86%</b>

### Notes:

- (1) The gas exploration wells are Acordeon 1, Ocarina 1 and Arandala 1.  
(2) The gas development wells are Palmer 2, Nelson 7 and Clarinete 4. The Colombia gas development dry hole is Pandereta 5.

### Colombia Gas

For development activity related to the gas portfolio, the Corporation has identified potential development locations on its Esperanza, VIM 5 and VIM 21 properties. A number of these locations are contingent on the Corporation's ongoing appraisal drilling program on its most recent discoveries. Committing to additional development drilling will be tied to the requirement to build the Corporation's proved and probable reserve base to secure additional gas contracts. In the meantime, the Corporation will advance its technical understanding of reservoir performance by continued reservoir modeling of the main producing assets.

For exploration activity related to the gas portfolio, the Corporation has built a significant inventory of prospects and leads by interpretation of the 2D and 3D seismic across its acreage position. Committing to additional investment in seismic and exploratory drilling will be tied to the requirement to build the Corporation's proved and probable reserve base to secure additional gas contracts.

### Production Estimates

The following table sets forth the volume of production estimated by the Corporation, by product type, for total proved, total probable and total proved plus probable reserves, for the year ending December 31, 2019 using forecast prices and costs.

Reserves Category	Forecast Prices & Costs		
	Total Proved Gross Daily Production <sup>(2)</sup>	Total Probable Gross Daily Production <sup>(2)</sup>	Total Proved + Probable Gross Daily Production <sup>(2)</sup>
<b>Corporate Total (Colombia)</b>			
Light & Medium Crude Oil (bbl/d)	-	-	-
Heavy Crude Oil (bbl/d)	-	-	-
Conventional Natural Gas (Mcf/d)	193,566	10,303	203,869
Natural Gas Liquids (bbl/d)	-	-	-
<b>Total<sup>(1)</sup> (boe/d)</b>	<b>33,959</b>	<b>1,808</b>	<b>35,766</b>

### Notes:

- (1) BOE have been reported based on natural gas conversions of 5.7 Mcf/1 bbl as required by the Ministry of Mines and Energy in Colombia.  
(2) Gross production is company interest before all royalty deductions.  
(3) The numbers in these tables may not add exactly due to rounding.

The following table sets forth the volume of production estimated by the Corporation, by field, for the year ending December 31, 2019 using forecast prices and costs.

	Light & Medium Crude Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Conventional Natural Gas (Mcf/d) <sup>(2)</sup>	Natural Gas Liquids (bbl/d)
<b>Colombia</b>				
Acordeon & Ocarina	-	-	12,462	-
Arandala	-	-	-	-
Ariana	-	-	145	-
Breva	-	-	3,314	-
Cañahuate	-	-	7,189	-
Cañandonga	-	-	-	-
Chirimía	-	-	6,776	-
Clarinete	-	-	46,314	-
Nelson	-	-	62,112	-
Nispero	-	-	495	-
Oboe	-	-	2,481	-
Palmer	-	-	11,915	-
Pandereta	-	-	31,770	-
Toronja	-	-	3,959	-
Trombon	-	-	4,637	-
<b>Corporate Total</b>	-	-	<b>193,568</b>	-

**Notes:**

- (1) Daily production is taken from the BGEC Report as of December 31, 2019.
- (2) Natural gas includes associated and non-associated sales gas volumes.
- (3) The numbers in these tables may not match the corporate totals due to rounding.

**Production History**

The following table sets forth the Corporation's share of average gross daily production volumes, by country, the prices received, royalties paid, production costs incurred and the resulting netback on a per unit volume basis, for each quarter of the year ended December 31, 2019.

OPERATING RESULTS	Three Months Ended March 31, 2019	Three Months Ended June 30, 2019	Three Months Ended September 30, 2019	Three Months Ended December 31, 2019
	Colombia	Colombia	Colombia	Colombia
<b>Average Gross Daily Production</b>				
Light & Medium Crude Oil (bbl/d)	433	342	322	309
Heavy Crude Oil (bbl/d)	-	-	-	-
Conventional Natural Gas (boe/d)	21,630	21,315	25,900	31,752
Natural Gas Liquids (bbl/d)	-	-	-	-
Crude Oil – Tariff (boe/d)	-	-	-	-
<b>Average sale prices</b>				
Light & Medium Crude Oil (\$/bbl)	48.16	53.71	44.73	50.52
Heavy Crude Oil (\$/bbl)	-	-	-	-
Conventional Natural Gas (\$/boe)	28.33	27.53	27.02	26.11
Natural Gas Liquids (\$/bbl)	-	-	-	-
Crude Oil – Tariff (\$/boe)	-	-	-	-

OPERATING RESULTS	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
	Colombia	Colombia	Colombia	Colombia
<b>Operating netback (\$/boe)</b>				
Commodity sales revenue, net of transportation expenses	28.72	27.98	27.25	26.34
Royalties	(3.63)	(3.65)	(3.64)	(4.03)
Operating expenses	(2.09)	(2.06)	(1.55)	(1.82)
<b>Netback<sup>(1)</sup></b>	<b>23.00</b>	<b>22.27</b>	<b>22.06</b>	<b>20.49</b>

**Note:**

- (1) “Netback” per BOE is calculated as revenues net of royalties, less transportation and processing charges and operating expenses and then divided by BOE or Mcf sold. Netbacks do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. Management believes this is a useful metric in providing a comparison of relative overall performance between companies as it is a common metric used by other companies operating in the oil and gas industry. Management uses this metric to assess the Corporation’s overall performance relative to that of its competitors and for internal planning purposes.

The following table sets forth the Corporation’s production volumes for the year ended December 31, 2019, by product type, for the fields comprising more than 10% of the Corporation’s total production.

	Light & Medium Crude		Conventional Natural	
	Oil (bbl/d)	Heavy Crude Oil (bbl/d)	Gas (boe/d)	Natural Gas Liquids (bbl/d)
Esperanza	-	-	14,263	-
VIM 5	-	-	10,337	-
Other	351	-	579	-
<b>Total</b>	<b>351</b>	<b>-</b>	<b>25,180</b>	<b>-</b>

**Notes:**

- (1) Daily production is taken from the BGEC Report as of December 31, 2019.  
(2) The numbers in these tables may not match the corporate totals due to rounding.

## DESCRIPTION OF CAPITAL STRUCTURE

### Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. As of March 17, 2020, 181,006,803 Common Shares were issued and outstanding (180,074,674 Common Shares as at December 31, 2019). The holders of the Common Shares are entitled to receive notice of and attend any meeting of the Shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares are entitled to vote). Subject to the rights attached to any other class of shares, the holders of the Common Shares are entitled to receive dividends, if, as and when declared by the Board of Directors and are entitled to receive the remaining property upon liquidation of the Corporation.

On June 8, 2017, the Board of Directors approved the adoption of a shareholder rights plan, which was approved by Shareholders on July 12, 2017 (the “**Rights Plan**”). Pursuant to the Rights Plan, one right is attached to each Common Share. Please see Schedule “B” to management proxy and information circular of the Corporation dated June 6, 2017 available on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com) for a summary of the Rights Plan. A copy of the Rights Plan is also available on the Corporation’s SEDAR profile.

### Preferred Shares

The Corporation is authorized to issue an unlimited number of preferred shares (“**Preferred Shares**”), issuable in series. As of March 17, 2020, no Preferred Shares were issued and outstanding. The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as determined by the Board of Directors, who may fix the designations, rights, privileges, restrictions and

conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to dividends, liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its Shareholders for the purpose of winding up its affairs, shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given such other preferences and priorities over the Common Shares and any other shares of the Corporation ranking junior to such series of Preferred Shares.

### **Restricted Share Units**

As at December 31, 2019, the Corporation had 879,582 restricted share units outstanding. These restricted share units were granted pursuant to the restricted share unit plan of the Corporation to certain directors, officers and employees of the Corporation. These restricted share units vest as to one-half in six months and one-half in 12 months from the grant date. The restricted shares units will be settled for cash, Common Shares purchased on the open market or Common Shares from treasury, on the vesting dates, as determined by the Board of Directors.

### **Long-Term Debt**

#### **2018 Senior Notes**

On May 3, 2018, the Corporation completed a private offering of the 2018 Senior Notes for the aggregate principal amount of \$320 million.

#### *General*

The \$320 million 2018 Senior Notes are direct senior unsecured obligations of the Corporation and rank *pari passu* in right of payment with all other existing and future senior indebtedness of the Corporation. The 2018 Senior Notes are jointly and severally guaranteed on a general unsecured senior basis by certain subsidiaries of the Corporation. The 2018 Senior Notes will mature on May 3, 2025, unless earlier redeemed or repurchased in accordance with the terms of the 2018 Senior Notes. The 2018 Senior Notes bear interest at the rate of 7.25% per annum, payable semi-annually in arrears on each May 3 and November 3 of each year.

Subject to certain exceptions, the 2018 Senior Note Indenture governing the 2018 Senior Notes contains a number of incurrence-based covenants that, among other things, restrict the Corporation and certain of its subsidiaries ability to: incur or guarantee additional indebtedness; pay dividends or make other distributions or repurchase or redeem its capital stock; make loans and investments; sell assets; incur liens; enter into transactions with affiliates; enter into agreements restricting certain subsidiaries' ability to pay dividends; and consolidate, merge or sell all or substantially all of its assets. These covenants are subject to a number of qualifications and exceptions as set forth in the 2018 Senior Note Indenture.

#### *Redemption*

The Corporation may redeem the 2018 Senior Notes, in whole or in part, at any time before May 3, 2022, at a redemption price equal to 100% of the principal amount of the 2018 Senior Notes plus a make-whole premium, in each case plus accrued and unpaid interest to, but excluding, the redemption date. At any time on or after May 3, 2022, the Corporation may redeem the 2018 Senior Notes, in whole or in part, at the redemption price set forth in the 2018 Senior Note Indenture, plus accrued and unpaid interest to, but excluding, the redemption date.

In addition, before May 3, 2021, the Corporation may redeem up to 35% of the 2018 Senior Notes with net cash proceeds from an equity offering, at the redemption price set forth in the 2018 Senior Note Indenture, plus accrued and unpaid interest thereon to, but excluding, the redemption date. The Corporation may also redeem the 2018 Senior Notes, in whole but not in part, at a price equal to 100% of the principal amount plus

accrued and unpaid interest to, but excluding, the redemption date and any additional amounts, upon the occurrence of certain changes in tax law.

#### *Change of Control*

Upon the occurrence of a change of control (as defined in the 2018 Senior Note Indenture), the holders may require the Corporation to repurchase such holder's 2018 Senior Notes, in whole or in part, at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

See also "Risk Factors – Debt Matters".

#### **2018 Credit Facility**

The 2018 Credit Facility is a \$30 million secured term loan with a major bank. The 2018 Credit Facility is due December 11, 2022, with interest payable quarterly and principal repayable in 11 equal quarterly instalments starting June 11, 2020, following an initial grace period. The 2018 Credit Facility bears interest at a fixed rate of 6.875% per annum and is secured by the Corporation's Jobo 2 natural gas processing facility. The 2018 Credit Facility includes various non-financial covenants relating to indebtedness, operations, investments, assets sales, capital expenditures and other standard operating business covenants. The 2018 Credit Facility is also subject to various financial covenants, including a maximum consolidated leverage ratio of 3.50:1.00 and a minimum consolidated EBITDAX to consolidated interest expense ratio of 2.50:1.00. As at the date hereof, the Corporation was in compliance with such financial covenants. For more information on the calculation of the financial covenants see the Corporation's management discussion and analysis accompanying its most recent audited annual financial statements which are available on SEDAR at [www.sedar.com](http://www.sedar.com). See also "Risk Factors – Debt Matters".

## **DIVIDENDS AND DISTRIBUTIONS**

### **Dividend Record and Policy**

During the year ended December 31, 2019, the Corporation announced that it would start a regular recurring quarterly dividend. Canacol's general practice will be to pay quarterly cash dividends on the Common Shares from its distributable cash flow to Shareholders of record as of the dividend record date, which will generally be 15 days prior to the dividend payment date.

Canacol's dividend policy is intended to provide Shareholders with relatively stable and predictable quarterly dividends, while retaining a portion of cash flow to fund maintenance capital and ongoing growth projects. The amount of dividends to be paid on the Common Shares, if any, is subject to the discretion of the Board of Directors and may vary depending on a variety of factors. In addition to the standard legislated solvency and liquidity tests that must be met, Canacol's ability to declare and pay dividends is also dependent on its compliance with the covenants under the 2018 Senior Note Indenture and the 2018 Credit Facility (see "Description of Capital Structure – Long-Term Debt").

In determining the level of dividends to be declared, the Board of Directors takes into consideration such factors as current and expected future levels of distributable cash flow (including income tax), capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

Over the long term, Canacol expects to continue to pay dividends from its distributable cash flow; however, credit facilities may be used to stabilize dividends from time to time. Growth capital expenditures will be funded from retained cash flow from operating activities and proceeds from additional debt or equity, as required. Although Canacol intends to continue to make regular quarterly dividends to Shareholders, dividends are not guaranteed (see "Risk Factors – Cash Dividends Are Not Guaranteed").



## Dividend History

The table below provides information on dividends declared per Common Share for each of the three most recently completed financial years:

<u>Dividend Record Date</u>	<u>Amount per Common Share (C\$)</u>
December 30, 2019	0.052

## TRADING PRICE AND VOLUME

### Common Shares

The Common Shares trade under the symbol “CNE” on the TSX. The following table sets out the price range (monthly high and low closing prices) of the Common Shares and consolidated volumes traded on the TSX for the periods indicated (as reported by the TSX).

<u>Period</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
<b>2019</b>			
January	4.50	3.90	3,406,156
February	4.50	4.19	3,931,708
March	4.70	4.39	9,503,174
April	4.55	3.97	6,107,661
May	4.21	3.93	3,329,553
June	4.54	3.95	2,488,888
July	5.04	4.29	5,819,030
August	5.05	4.39	3,715,202
September	4.86	4.46	2,055,996
October	4.89	4.19	4,028,364
November	4.99	4.28	5,172,184
December	4.78	4.25	9,070,501
<b>2020</b>			
January	4.74	4.14	9,890,371
February	4.64	4.10	5,173,375
March 1-17	4.43	3.05	8,599,568

## PRIOR SALES

The following table summarizes the issuances of unlisted securities for the year ended December 31, 2019:

<u>Date of Issuance</u>	<u>Securities</u>	<u>Number of Common Shares Issued/Issuable or Aggregate Amount</u>	<u>Price/Exercise Price per Security (C\$)</u>
January 28, 2019	Options <sup>(1)</sup>	2,100,000	4.45
January 28, 2019	Restricted Share Unit <sup>(2)</sup>	970,500	4.45
August 28, 2019	Options <sup>(1)</sup>	1,008,000	4.62
August 28, 2019	Restricted Share Unit <sup>(2)</sup>	490,000	4.62

### Notes:

- (1) Issued pursuant to the stock option plan of the Corporation. Options expire five years from date of issue.  
(2) Issued pursuant to the restricted share unit plan of the Corporation.

## ESCROWED SECURITIES

The Corporation has no escrowed securities.

## DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence of the current directors and executive officers of the Corporation, their respective positions and offices with the Corporation and date first appointed or elected as a director and/or officer and their principal occupation(s) within the past five years.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Charle Gamba <sup>(4)</sup> President, Chief Executive Officer and Director Bogotá, Colombia	October 30, 2008	Mr. Gamba founded Canacol in 2008. Mr. Gamba has held a variety of technical and management roles with major and mid-sized international oil companies, with the majority of his professional career focused on exploration and production in South America. Prior to founding Canacol, Mr. Gamba was Vice President of Exploration for Occidental Oil & Gas Company based in Bogotá, Colombia. In his eight years with Occidental, he lived and worked in Ecuador, Qatar, Colombia, and the United States, working in a variety of technical and management roles. Mr. Gamba has also worked for Alberta Energy Company in Argentina and Ecuador, and for Canadian Occidental in Australia, Canada, and Indonesia. Mr. Gamba started his career as a geologist with Imperial Oil in Calgary, and holds an MSc and PhD in Geology.
Michael Hibberd <sup>(1)(2)(3)</sup> Chairman and Director Calgary, Alberta, Canada	October 30, 2008	For over 21 years, Mr. Hibberd has been Chairman and CEO of MJH Services Inc., a corporate finance advisory firm. Through MJH, Mr. Hibberd has been involved in numerous privatization and development projects in North America, Africa, the Middle East, Latin America and Asia. From 1983-1995, he was Senior Vice President and Director of Corporate Finance for ScotiaMcLeod. He is currently Chairman of Greenfields Petroleum Corporation, Vice Chairman of Sunshine Oilsands Ltd. and serves as board member of Pan Orient Energy Corp. and PetroFrontier Corp. Formerly, he was Chairman of Heritage Oil Plc and Heritage Oil Corporation; and former director of Montana Exploration Corp., Avalite Inc., Challenger Energy Corp., Deer Creek Energy, Iteration Energy Ltd., Rally Energy Corp., Sagres Energy, Skope Energy Inc. and Zapata Energy Corporation.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
David Winter <sup>(2)(3)(4)</sup> Director Calgary, Alberta, Canada	February 6, 2009	Dr. Winter is the Chief Executive Officer and Director of each of Horizon Petroleum Ltd. and Miramar Hydrocarbons Ltd. He was a co-founder of Canacol in 2008. Previously, Dr. Winter was the Founder, Chief Executive Officer and Director of Excelsior Energy Limited, an oil sands focused exploration company. Dr. Winter brings 37 years of international experience in a variety of technical, management and leadership roles living and working in Latin America, Middle East, Southeast Asia and the UK North Sea. His experience was gained working at British Petroleum working in China, the UK North Sea, Indonesia and Australia, Sun Oil, Canadian Occidental (now Nexen) living and working in Yemen and Indonesia, Alberta Energy Company (now EnCana) where he was a member of the leadership team that grew its international business to over 60,000 boe/d, Calvalley Petroleum and Excelsior Energy Limited. Dr. Winter holds a Bachelor of Science degree in Geology from the University of London, a Master of Science degree in Structural Geology from Imperial College, University of London and PhD degree in Structural Geology from Edinburgh University.
Gregory D. Elliott <sup>(2)(4)</sup> Director Oakdale, Louisiana, USA	December 21, 2012	Mr. Elliott is currently the President and Founder of Workstrings International, a Superior Energy Services, Inc. (NYSE-SPN) company. Mr. Elliott started his career in 1981 at Chevron serving in various engineering positions both Domestic US and International through 1996. He served as a well test Engineer, frequently traveling to Africa, Europe and Southeast Asia before joining Chevron's International Drilling team in 1989 where he planned and drilled wells in Africa, Europe, Southeast Asia, Kazakhstan and South America. Mr. Elliott continues to manage and grow Workstrings International, currently the second largest oilfield rental tool company in the world. Mr. Elliott was a Charter member of Geoproduction Oil & Gas Company, founded in 2001. Mr. Elliott earned his degree in Petroleum Engineering in 1981 from Louisiana State University.
Francisco Diaz <sup>(1)(3)</sup> Director Bogotá, Colombia	January 16, 2015	Mr. Diaz is currently the Managing Partner at Evolvere Capital, a Private Equity firm that manages various portfolio companies in Colombia and Latin America. Mr. Diaz also serves on the board of several portfolio and publicly traded companies in Latin America. From 2004 to 2011, Mr. Diaz was President and CEO of Organización Corona, one of the largest private groups in Colombia. Prior to his association with Corona, he was with Monsanto Company in St. Louis, MO (1991 to 2003) where he held various executive positions among them President of the Global Food Ingredients Division, Corporate Vice President of Global Strategy in Chicago, IL and Vice President and General Manager for Latin America in Buenos Aires, Argentina.  Mr. Diaz received a Bachelor of Science degree in Chemical Engineering from Northeastern University in Boston, MA and has a Master of Science in Business Management from Arthur D. Little School of Management in Cambridge, MA. He is also a graduate of the Advanced Executive Management Program from J. L. Kellogg Graduate School of Management of Northwestern University.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Oswaldo Cisneros <sup>(1)(2)</sup> Director Caracas, Venezuela	October 16, 2015	Mr. Cisneros is currently the Principal of Cavengas Holdings S.R.L. and President of Corporación Digitel, a telecom company, Maritime Contractors de Venezuela, an oil drilling services company, Fabrica Nacional de Vidrios, a glass bottle manufacturer, and Central Azucarero Portuguesa, a sugar mill factory. Previously, Mr. Cisneros served as the President of Pepsi Cola Venezuela and of Telcel Celular, C.A., a partner of Bellsouth International.
Gonzalo Fernández-Tinoco <sup>(3)</sup> Director Caracas, Venezuela	November 8, 2018	Mr. Fernández-Tinoco is the director of Fundacion Venezuela Sin Limites, a non-profit organization; Corporación Digitel, a telecom company; Produvisa, a glass bottle manufacturer; Maritime Contractors de Venezuela, an oil drilling services company; DP Delta Servicios, an oil services company; Petrodelta, a joint venture; Delta Finance and Escuela Campo Alegre. Previously, Mr. Fernández-Tinoco served as General Manager of Microsoft Venezuela, Vice President of Telecel, a local partner for BellSouth; Farmahorro, Grupo Mistral, Televen, YPO y otros. Mr. Fernández-Tinoco received a degree in law from Universidad Católica Andrés Bello, UCAB; and study management at IESA.
Ariel Merenstein Director São Paulo, Brazil	March 17, 2020	Mr. Merenstein is the Managing Partner and Portfolio Manager of Fourth Sail Capital. Prior to founding Fourth Sail in 2019, he spent eleven years at Prince Street Capital Management, a global Emerging and Frontier markets fund, where he was a Partner on the Research team and the Portfolio Manager of the Prince Street Latin America Long/Short fund. In addition to his PM responsibilities, Mr. Merenstein oversaw the firm's investments in Latin America, and regularly reviewed global macroeconomics for the firm. Prior to joining Prince Street, Mr. Merenstein worked at Lehman Brothers and Bear Stearns. He is a magna cum laude graduate of the New York University Stern School of Business. He holds dual citizenship in Costa Rica, where he was born, as well as the United States. Mr. Merenstein is based in São Paulo, and is fluent in Spanish, Portuguese and English.
Jason Bednar Chief Financial Officer Calgary, Alberta, Canada	December 1, 2015	Mr. Bednar is a Chartered Accountant with more than 20 years of direct professional experience in the financial and regulatory management of oil and gas companies listed on the TSX, TSX Venture Exchange and American Stock Exchange. Mr. Bednar has been the Chief Financial Officer of several international oil and gas exploration companies, most notably the founding Chief Financial Officer of Pan Orient Energy Corp., a South East Asia exploration company. He has previously sat on the board of directors of several internationally focused exploration and production companies, including being the past Chairman of Gallic Energy Ltd. Mr. Bednar began his career in the chartered accountancy firm of Brown Smith Owen in 1993 before moving into financial controller roles at oil production companies. Mr. Bednar holds a Bachelor of Commerce degree from the University of Saskatchewan.

Name and Municipality of Residence and Position with Canacol	Director/Officer Since	Principal Occupation During the Last Five Years
Ravi Sharma Chief Operating Officer Bogotá, Colombia	October 1, 2015	Mr. Sharma has 30 years of oil and natural gas experience in the Americas, Middle East, Russia, Australasia, and Africa. He has held senior management roles at major exploration and production companies worldwide. He was Head of Production & Operations with Afren Plc., Global Petroleum Engineering Manager for BHP Billiton Petroleum and Worldwide Chief Reservoir Engineer for Occidental Oil & Gas Company. Mr. Sharma holds a B.Sc. and M.Sc. in Mechanical Engineering from the University of Alberta.
Mark Teare Senior Vice President of Exploration Calgary, Alberta, Canada	January 12, 2009	Mr. Teare has 35 years of experience with a number of senior international Canadian energy companies in Brazil, Ecuador, Colombia, Argentina, Australia, and Canada. Over the nine-year period prior to joining Canacol, Mr. Teare held a series of senior management roles at EnCana Corporation including Country Lead for Brazil, and Vice President of Exploration and Joint Ventures in Ecuador. Mr. Teare also held a variety of lead technical roles at Alberta Energy Company in Australia, and Home Oil Company in Argentina and Canada. Mr. Teare holds a Master of Science degree in Geology from McGill University.
Anthony Zaidi Vice President of Business Development, General Counsel and Corporate Secretary Bogotá, Colombia	November 29, 2011	Mr. Zaidi is a lawyer and businessman with significant experience in corporate finance and in the mining and energy sector in Colombia. Prior to joining Canacol, Mr. Zaidi was the President and General Counsel of Carrao, a private oil and gas exploration company he co-founded and co-managed until its acquisition by the Corporation in November 2011. Prior to Carrao, he had been an officer or director of several private and public companies, including Integral Oil Services, Pacific Rubiales Energy, Petromagdalena Energy, Medoro Resources and others, as well as a securities lawyer at Blake, Cassels & Graydon LLP. Mr. Zaidi holds a Juris Doctor degree from the University of Toronto as well as a Bachelor of Commerce (Finance) degree from McGill University.
Tracy Whitmore Vice President Tax and Corporate Affairs Calgary, Alberta, Canada	April 8, 2019	Ms. Whitmore joined Canacol in 2013 as Director of Taxation and was appointed Vice President Tax and Corporate Affairs in April, 2019. Ms. Whitmore has over 20 years of experience in international tax planning and consulting. Prior to joining Canacol, she worked for a U.S. based technology company and at PwC as a Senior Manager in the International Tax Services Group helping clients with cross-border reorganizations, offshore financing and international acquisitions mainly in the energy industry. Ms. Whitmore is a Chartered Professional Accountant and holds an Honors in Business Administration degree from the Ivey Business School.

**Notes:**

- (1) Denotes Audit Committee members.
- (2) Denotes Compensation Committee members.
- (3) Denotes Corporate Governance and Nominating Committee members.
- (4) Denotes Reserve Committee members.
- (5) Each director will hold office until the next annual general meeting of Shareholders or until his successor is elected or appointed.

As at March 17, 2020, the directors and officers of Canacol, as a group beneficially own, directly or indirectly, approximately 3,294,297 of the outstanding Common Shares (approximately 1.8%). Oswaldo Cisneros, a director of the Corporation, is the Principal of Cavengas Holdings S.R.L., which owns 32,613,072 Common Shares (18.0%) as at March 17, 2020. Ariel Merenstein, a director of the Corporation, is the Managing Partner and Portfolio Manager of Fourth Sail Capital, which indirectly owns or controls 25,576,929 Common Shares (14.1%) as at March 17, 2020.

### **Corporate Cease Trade Orders or Bankruptcies**

Other than as set forth below, no director, officer or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, within 10 years before the date of this Annual Information Form, has been, a director or executive officer of any corporation that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Hibberd was formerly a director of Skope Energy Inc. (a TSX listed oil and gas company), which commenced proceedings in the Court of Queen's Bench of Alberta under the *Companies' Creditors Arrangement Act* (Canada) to implement a restructuring in November 2012, which was completed on February 19, 2013.

Mr. Hibberd was a director of Montana Exploration Corp. at the time that an order was issued to suspend trading until 2017 year end financial statements and MD&A were filed and compliance with TSX Venture Exchange requirements was confirmed. The order was issued by the Alberta Securities Commission on May 4, 2018.

Charle Gamba and Jason Bednar were formerly directors of Solimar Energy Limited ("**Solimar**") from September 12, 2011 and October 10, 2011, respectively, to December 12, 2014, upon which date all of the directors and officers resigned. On December 3, 2015, December 8, 2015 and December 21, 2015, the common shares of Solimar were cease traded by the Alberta Securities Commission, the British Columbia Securities Commission and the Ontario Securities Commission, respectively, as a result of the failure by Solimar to file various continuous disclosure documents, including interim financial statements and related management's discussion and analysis for the three-month period ended September 30, 2014, together with the related certification of filings thereto.

### **Personal Bankruptcies**

No director, officer or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has within 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

## Penalties or Sanctions

No director, officer or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## Conflicts of Interest

Certain directors and officers of the Corporation and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Some of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

## AUDIT COMMITTEE INFORMATION

The Audit Committee is a committee of the Board of Directors to which the Board of Directors delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Corporation and the external auditor.

Pursuant to NI 52-110, the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

### Audit Committee Terms of Reference

The Corporation must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached hereto as Schedule C.

### Audit Committee Composition

The following are the members of the Audit Committee:

Michael Hibberd <sup>(1)</sup>	Independent <sup>(2)</sup>	Financially Literate <sup>(2)</sup>
Francisco Diaz	Independent <sup>(2)</sup>	Financially Literate <sup>(2)</sup>
Oswaldo Cisneros	Independent <sup>(2)</sup>	Financially Literate <sup>(2)</sup>

**Notes:**

- (1) Chairman of the Audit Committee.
- (2) As defined by NI 52-110.

**Relevant Education and Experience**

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

***Michael Hibberd, B.A., M.B.A. and LL.B***

Mr. Hibberd is Chairman and Chief Executive Officer of MJH Services Inc., a corporate finance advisory business established in 1995; Chairman of Greenfields Petroleum Corporation; Vice-Chairman of Sunshine Oilsands Ltd.; director of PanOrient Energy Corp. and PetroFrontier Corp.; former Chairman of Heritage Oil Plc and Heritage Oil Corporation; and former director of Montana Exploration Corp., Avalite Inc., Challenger Energy Corp., Deer Creek Energy, Iteration Energy Ltd., Rally Energy Corp., Sagres Energy, Skope Energy Inc. and Zapata Energy Corporation. Mr. Hibberd spent 12 years in corporate finance with ScotiaMcLeod and was Senior Vice President, Corporate Finance and a Director.

***Francisco Diaz, B.Sc., M.Sc.***

Mr. Diaz is Managing Partner at Evolvere Capital, a Private Equity firm that manages various portfolio companies in Colombia and Latin America. Mr. Diaz also serves on the board of several portfolio and publicly traded companies in Latin America. From 2004 to 2011, Mr. Diaz was President and CEO of Organización Corona, one of the largest private groups in Colombia. Prior to his association with Corona, he was with Monsanto Company in St. Louis, MO (1991 to 2003) where he held various executive positions among them President of the Global Food Ingredients Division, Corporate Vice President of Global Strategy in Chicago, IL and Vice President and General Manager for Latin America in Buenos Aires, Argentina. Mr. Diaz received a Bachelor of Science degree in Chemical Engineering from Northeastern University in Boston, MA and has a Master of Science in Business Management from Arthur D. Little School of Management in Cambridge, MA. He is also a graduate of the Advanced Executive Management Program from J. L. Kellogg Graduate School of Management of Northwestern University.

***Oswaldo Cisneros***

Mr. Cisneros is the President of Corporación Digitel, a telecom company, Maritime Contractors de Venezuela, an oil drilling services company, Fabrica Nacional de Vidrios, a glass bottle manufacturer, and Central Azucarero Portuguesa, a sugar mill factory. Previously, Mr. Cisneros served as the President of Pepsi Cola Venezuela and of Telcel Celular, C.A., a partner of Bellsouth International.

**Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on:

- (a) the exemption in section 2.4 of NI 52-110 (De Minimis Non-audit Services);
- (b) the exemption in section 3.2 of NI 52-110 (Initial Public Offerings);
- (c) the exemption in section 3.4 of NI 52-110 (Events Outside Control of Members);



- (d) the exemption in section 3.5 of NI 52-110 (Death, Disability or Resignation of Audit Committee Members); or
- (e) an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

#### Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on:

- (a) the exemption in subsection 3.3(2) of NI 52-110 (Controlled Companies); or
- (b) the exemption in section 3.6 of NI 52-110 (Temporary Exemption for Limited and Exceptional Circumstances).

#### Reliance on Section 3.8

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied section 3.8 of NI 52-110 (Acquisition of Financial Literacy).

#### Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

#### Pre-Approval Policies and Procedures

The Audit Committee had adopted specific policies and procedures for the engagement of non-audit services as described under the heading "External Auditors" in the terms of reference of the Audit Committee as attached hereto as Schedule C.

#### External Auditor Service Fees

The fees billed by the Corporation's external auditors in each of the last two fiscal years for audit and other fees are as follows:

Financial Year Ending <sup>(1)</sup>	Audit Fees <sup>(2)</sup> (\$)	Audit Related Fees <sup>(3)</sup> (\$)	Tax Fees <sup>(4)</sup> (\$)	All Other Fees <sup>(5)</sup> (\$)
<b>December 31, 2019</b>				
Current External Auditor (KPMG LLP)	426,295	-	-	-
Former External Auditor (Deloitte LLP)	329,928	221,135	313,135 <sup>(6)</sup>	-
<b>December 31, 2018</b>				
Former External Auditor (Deloitte LLP)	789,267	-	801,754 <sup>(7)</sup>	-

#### Notes:

- (1) The Corporation changed its external auditor from Deloitte LLP to KPMG LLP effective October 4, 2019.
- (2) Audit fees include fees necessary to perform the annual audit and quarterly reviews of the Corporation's consolidated financial statements. Audit fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

- (3) Audit-related fees include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (4) Tax fees include fees for all tax services other than those included in audit fees and audit-related fees. This category includes fees for tax compliance, tax planning and tax advice.
- (5) All other fees include fees for products and services provided by the Auditor, other than the services reported above.
- (6) \$175,632 of this amount represents fees paid to the Corporation's former external auditor, Deloitte LLP, for tax compliance advice.
- (7) \$187,060 of this amount represents fees paid to the Corporation's former external auditor, Deloitte LLP, for tax compliance advice.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no material legal proceedings to which the Corporation is a party or of which any of its property is the subject and there are no such proceedings known to the Corporation to be contemplated. In addition, there were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2019, no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, and no settlement agreements entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2019.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set forth herein, or as previously disclosed, the Corporation is not aware of any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer or any Shareholder holding more than 10% of the Common Shares or any associate or affiliate of any of the foregoing in any transaction within the three most recently completed financial years or during the current financial year or any proposed or ongoing transaction of the Corporation which has or will materially affect the Corporation.

### **TRANSFER AGENT AND REGISTRARS**

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

### **MATERIAL CONTRACTS**

There are no material contracts entered into by Canacol within the most recently completed financial year, or before the most recently completed financial year but which are still in effect, other than contracts entered into in the ordinary course of business.

### **INTEREST OF EXPERTS**

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than BGEN, the Corporation's independent engineering evaluator, and KPMG LLP, the Corporation's external auditors.

As at the date of hereof, the principal reserve evaluators of BGEN, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Common Shares.

KPMG LLP have confirmed that they are independent of the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

## RISK FACTORS

A potential investor should carefully consider the factors set forth below in deciding whether to invest in the securities of Canacol. An investment in securities of Canacol is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management of Canacol. An investment in the securities of Canacol is speculative and involves a high degree of risk due to the nature of Canacol's involvement in the business of exploration for petroleum and natural gas. The following are certain risk factors relating to the business of Canacol which prospective investors should carefully consider before deciding whether to purchase securities of Canacol. The following is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form.

### Risks Related to the Industry and the Business of Canacol

#### *Political Risk*

The Corporation's core projects are located in Colombia. As such, the Corporation is subject to certain risks, including currency fluctuations and possible political or economic instability. Further, the Corporation's exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry.

A 50-year armed conflict between government forces and anti-government insurgent groups and illegal paramilitary groups, both thought to be funded by the drug trade, continues in Colombia. Insurgents continue to attack civilians and violent guerrilla activity continues in many parts of the country. On September 26, 2016, the Colombian government and the Revolutionary Armed Forces of Colombia ("**FARC**") signed a peace agreement (the "**Peace Agreement**") and, on November 30, 2016, the Peace Agreement was ratified by Colombia's government. Pursuant to the Peace Agreement, the FARC agreed to demobilize its troops and urban militia members and to hand over its weapons to a United Nations mission within 180 days. Once demobilized and disarmed, the FARC can become a legal political party. Under the Peace Agreement, the FARC is guaranteed at least five seats in the Senate and another five seats in the House of Representatives in 2018 congressional elections. The Colombian government has also begun peace negotiations with the Ejército de Liberación Nacional ("**ELN**"). The peace negotiations are intended to bring further institutional strengthening and development, particularly to rural regions. The government's biggest challenge is perceived to be to ensure that the negotiations lead to a long-lasting peace and that demobilised members of the FARC and ELN rejoin civilian life, rather than regrouping in criminal bands.

Continuing attempts to reduce or prevent guerrilla activity may not be successful and guerrilla activity may disrupt Canacol's operations in the future. The Corporation may not be able to establish or maintain the safety of its operations and personnel in Colombia and this violence may affect its operations in the future. Continued or heightened security concerns in Colombia could also result in a significant loss to Canacol and/or costs exceeding current expectations. The perception that matters have not improved in Colombia may hinder the Corporation's ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the control of the Corporation and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and site safety.

The Corporation's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Corporation's foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be

successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities in the foreign jurisdictions in which it operates could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

### ***United States Relations with Colombia***

Colombia is among several nations whose progress in stemming the production and transit of illegal drugs is subject to annual certification by the President of the United States of America. Although Colombia has received a current certification, there can be no assurance that, in the future, Colombia will receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following: all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended; the Export-Import Bank of the United States and the Overseas Private Investment Corporation would not approve financing for new projects in Colombia; United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes, and the President of the United States and Congress would retain the right to apply future trade sanctions.

Each of these consequences could result in adverse economic consequences in Colombia and could further heighten the political and economic risks associated with operations there. Any changes in the holders of significant government offices could have adverse consequences on the Corporation's relationship with the ANH and the Colombian government's ability to control guerrilla activities and could exacerbate the factors relating to the Corporation's foreign operations. Any sanctions imposed on Colombia by the United States government could threaten the Corporation's ability to obtain any necessary financing to develop its Colombian properties. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be predicted.

### ***Canada Relations with Colombia***

The Canada-Colombia Free Trade Agreement became effective on August 15, 2011. Through the agreement, Canada's producers and exporters benefit from reduced or eliminated tariffs on nearly all of Canada's exports to Colombia. The agreement also provides a more predictable, transparent and rules-based trading environment for Canadian investors and businesses.

### ***Social Disruptions and Instability***

The Corporation's operations are in Colombia. Companies operating in the oil and gas industry in Colombia have experienced various degrees of interruptions to their operations as a result of social instability and labour disruptions.

The Corporation cannot provide assurances that this type of social instability or labour disruption will not be experienced in future. The potential impact of future social instability, labour disruptions and any lack of public order may have on the oil and gas industry in Colombia, and on the Corporation's operations in particular, is not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, ability to move equipment such as drilling rigs from site to site, or disruption of infrastructure facilities, including pipelines, production facilities, public roads, and off-loading stations could be targets or experience collateral damage as a result of social instability, labour disputes or protests. The Corporation may suffer loss of production, or be required to incur significant costs in the future to safeguard the Corporation's assets against such activities, incur standby charges on stranded or idled equipment or to remediate potential damage to the Corporation's facilities. There can be no assurance that the Corporation will be successful in protecting itself against these risks and the related financial consequences. Further, these risks may not in any part be insurable in the event the Corporation does suffer damage.

### **Reserve Estimates**

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and cash flows to be derived therefrom, including many factors beyond the control of Canacol. The reserve and cash flow information set forth in this Annual Information Form represent estimates only. The reserves and estimated future net cash flows from Canacol's properties have been independently evaluated by BGEC with an effective date of December 31, 2019. These evaluations include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and natural gas, operating costs, abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts that are in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of Canacol. Actual production and cash flows derived therefrom will vary from these evaluations, and such variations could be material. Due to the limited history of Canacol's producing wells, reserves have been estimated on a volumetric basis.

The present value of estimated future net cash flows referred to herein should not be construed as the current market value of estimated oil and natural gas reserves attributable to Canacol's properties. The estimated discounted future cash flows from reserves are based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net cash flows will also be affected by factors such as the amount and timing of actual production, supply and demand for oil and natural gas, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

### **Additional Financing**

Depending on future exploration, development, acquisition and divestiture plans, Canacol may require additional financing. The ability of Canacol to arrange any such financing in the future will depend in part upon the prevailing capital market conditions, risk associated with the international operations, as well as the business performance of Canacol. Periodic fluctuations in energy prices may affect lending policies of Canacol's lenders for new borrowings, if available. This in turn could limit growth prospects in the short run or may even require Canacol to dedicate cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Canacol will be successful in its efforts to arrange additional financing on terms satisfactory to Canacol. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of shares from treasury of Canacol, control of Canacol may change and Shareholders may suffer additional dilution.

From time to time Canacol may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase Canacol's debt levels above industry standards.

### **Debt Matters**

The Corporation relies on debt financing for some of its business activities, including capital and operating expenditures. There are no assurances that the Corporation will be able to refinance any or all of its borrowings at their maturity. In addition, there are no assurances that the Corporation will be able to comply at all times with the covenants applicable under its current borrowings; nor are there assurances that the Corporation will be able to secure new financing that may be necessary to finance its operations and capital growth program. Any failure of the Corporation to secure refinancing, to obtain new financing or to comply with applicable covenants under its borrowings could have a material adverse effect on the Corporation's financial results. Further, any inability of the Corporation to obtain new financing may limit its ability to support future growth.

The Corporation believes that its existing credit arrangements will be sufficient for its immediate requirements and has no reason to believe that it will not be able to refinance on commercially reasonable terms. However, continued uncertainty in the global economic situation means the Corporation, along with other oil and gas companies, may have restricted access to capital and increased borrowing costs. The Corporation's ability to raise debt is dependent upon, among other factors, the overall state of the capital markets and investor appetite for investments in the energy industry generally and in the Corporation's securities in particular. The ability to make scheduled payments on or to refinance debt obligations depends on the financial condition and operating performance of the Corporation, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond its control. As a result, the Corporation may be unable to maintain a level of cash flow from operations sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness. These conditions could have an adverse effect on the industry in which the Corporation operates and its business, including future operating and financial results. There can be no assurance that the Corporation's cash flow will be adequate for future financial obligations or that additional funds will be able to be obtained.

### **Operational Constraints Due to Debt**

The Corporation has a significant amount of indebtedness, particularly with respect to the 2018 Senior Notes and the 2018 Credit Facility, and this level of indebtedness could materially and adversely affect it in a number of ways. For example, it could:

1. make it more difficult for the Corporation to conduct its operations;
2. increase the Corporation's vulnerability to general adverse economic and industry conditions;
3. require the Corporation to dedicate a portion of its future cash flow from operations to service payments on its indebtedness, thereby reducing the availability of the Corporation's future cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
4. limit the Corporation's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
5. place the Corporation at a competitive disadvantage compared to its competitors that have less debt; and
6. limit the Corporation's ability to borrow additional funds on commercially reasonable terms, if at all, to meet its operating expenses and for other purposes.

### **Cash Dividends Are Not Guaranteed**

Dividends are not guaranteed and will fluctuate with the performance of the Corporation and its subsidiaries. The Board of Directors has the discretion to determine the amount of dividends to be declared and paid to Shareholders each quarter. In determining the level of dividends, the Board of Directors will take into consideration numerous factors, including current and expected future levels of earnings; cash flow from operating activities; income taxes; maintenance capital; growth capital expenditures; debt repayments; working capital requirements; current and potential future environmental liabilities; the impact of interest rates and/or foreign exchange rates; natural gas, NGL and crude oil prices; and other factors. The Corporation's short and long term borrowings prohibit the Corporation from paying dividends at any time at which a default or event of default would exist under such debt, or if a default or event of default would exist as a result of paying the dividend (see "*Risk Factors – Debt Matters*").

If external sources of capital, including borrowings and the issuance of additional Common Shares, become limited or unavailable on commercially reasonable terms, the Corporation's ability to sustain its dividends and make the necessary capital investments to maintain or expand its business may be impaired. The extent to

which the Corporation is required to use cash flow from operating activities to finance capital expenditures or acquisitions may reduce the distributable cash flow available to declare and pay dividends to Shareholders. Dividends may be increased, reduced, suspended or eliminated entirely depending on the Corporation's operations and the performance of its assets and businesses.

### **Industry Risks**

Competitive factors in the distribution and marketing of oil and gas include price methods and reliability of delivery. The oil and natural gas industry is intensely competitive and Canacol competes with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on an international basis. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential. Prices paid for both oil and natural gas produced are subject to market fluctuations and will directly affect the profitability of producing any oil or natural gas reserves which may be acquired or developed by Canacol. There is no assurance that Canacol will be able to successfully compete against such competitors.

The impact on the oil and natural gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers may also decline.

Canacol's operations are subject to all the risks normally associated with the exploration, development and operation of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, potential environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to property of Canacol and others. In accordance with customary industry practice Canacol does maintain insurance coverage, but is not fully insured against all risks, nor are all such risks insurable.

### **Exploration and Development**

Canacol is engaged in oil and natural gas exploration, which is a high-risk venture with uncertain prospects for success and for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration or development activities by Canacol will result in discoveries of oil or natural gas that are commercially or economically possible. It is difficult to project the costs of implementing any exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as overpressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Even if commercial quantities of petroleum or natural gas are discovered, there is no assurance that production therefrom or development thereof will occur or be profitable. Natural resource prices fluctuate widely and are affected by numerous factors such as inflation, interest rates, demand, global or regional political and economic crisis and production costs in major producing regions. The aggregate affect of these factors, all of which are beyond Canacol's control, is impossible to predict. No assurance can be given that commercial accumulations of oil and natural gas will be discovered as a result of the efforts of Canacol and prospective investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of Canacol.

The future value of Canacol is dependent on the success or otherwise of Canacol's activities which are directed toward the further exploration, appraisal and development of its assets in Colombia. Canacol has a right to explore and appraise such assets but does not have a right to produce same until such time as the reserves are determined to be commercial. Exploration, appraisal and development of oil and gas reserves are speculative

and involves a significant degree of risk. There is no guarantee that exploration or appraisal of the properties in which Canacol holds rights will lead to a commercial discovery or, if there is commercial discovery, that Canacol will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage Canacol is precluded from pursuing its exploration or development programmes, or such programmes are otherwise not continued, Canacol's business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares, is likely to be materially adversely affected.

Advanced oil and natural gas related technologies such as three-dimensional seismography, reservoir simulation studies, geo-chemical surveys and horizontal drilling may be used by Canacol to improve its ability to find, develop and produce oil and natural gas.

Oil and natural gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions may affect the availability of such equipment to Canacol and may delay exploration and development activities.

In addition, oil and natural gas exploration and development activities are dependent on the availability of seismic, drilling and other specialized equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Canacol and may delay exploration and development activities.

### **Operations**

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of Canacol. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. There is no assurance that a market will exist for oil or natural gas reserves discovered within Canacol's properties. Although recent studies suggest that ready and growing oil and gas markets exist in Colombia, access to such markets cannot be assured. There is no assurance that Canacol will be able to access the pipeline transportation system for the transportation to the marketplace of any oil or gas that may be produced from Canacol's properties due to capacity or other reasons.

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time. Oil and natural gas operations are affected in varying degrees by government regulation such as restrictions on production, price controls, tax increases, expropriation of property, environmental and pollution controls or changes in conditions under which oil or natural gas may be marketed. Canacol's oil and natural gas operations may also be subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. Canacol is currently non-operator of certain of its properties and as such will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent.

### **Weakness in the Oil and Gas Industry**

Recent market events and conditions, including global excess oil and natural gas supply, actions taken by the Organization of Petroleum Exporting Countries (OPEC), slowing growth in China and other emerging



economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. Lower commodity prices may also affect the volume and value of the Corporation's reserves especially as certain reserves become uneconomic. In addition, lower commodity prices have restricted, and are anticipated to continue to restrict, the Corporation's cash flow resulting in a reduced capital expenditure budget. As a result, the Corporation may not be able to replace its production with additional reserves and both the Corporation's production and reserves could be reduced on a year over year basis. Any decrease in value of the Corporation's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of the Corporation's indebtedness, could result in the Corporation having to repay a portion of its indebtedness. Given the current market conditions and the lack of confidence in the Canadian oil and gas industry, the Corporation may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

### ***Fluctuating Prices***

Oil and gas prices will have a direct impact on the Corporation's earnings and are subject to volatile price fluctuations. The Corporation's revenues are expected to be in large part derived from the extraction and sale of oil and natural gas. The price of oil or natural gas will be affected by numerous factors beyond the Corporation's control, including international economic and political trends, expectations of inflation, war, a widespread pandemic, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. Any substantial decline in the prices of oil or natural gas could have a material adverse effect on the Corporation and the level of its oil and natural gas reserves.

From time to time the Corporation has and may in the future enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Further, to the extent that Canacol engages in risk management activities related to commodity prices, it will be subject to credit risks associated with counter parties with which it contracts. Further, there is no guarantee that certain governments will not renegotiate tariff prices on certain fixed priced contracts during low oil or natural gas price environment.

### ***Inability to Market Gas Production and Change in Gas Sale Prices***

The marketability of gas production from Canacol's projects may be affected by numerous factors beyond Canacol's control, including, but not limited to, market fluctuations of prices, minimum volume commitments requirements, proximity and capacity of pipelines, increased competition, the availability of upgrading and processing facilities, equipment availability and Colombian Government regulations (including, without limitation, regulations relating to prices, taxes, royalties, allowable production, importing and exporting of oil, natural gas and environmental protection). Canacol currently sells the vast majority of the gas it produces pursuant to the Esperanza E&E Contract, the VIM 5 E&P Contract and the VIM 21 E&P Contract to 13 third parties pursuant to gas sale contracts. If these gas sale contracts were to be terminated for any reason, Canacol may be unable to enter into a relationship with other purchasers for such gas on a timely basis or on similar or acceptable terms. Canacol's results of operations and financial condition are dependent on its ability to market its production and on the prices received for its gas and any change to price or the Corporation's gas sale contracts may impact earnings.

### ***Alternatives to/Changing Demand for Petroleum Products***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil, natural gas and other liquid hydrocarbons. Canacol cannot predict the impact of

changing demand for oil and natural gas products and any major changes would have a material adverse effect on Canacol's business, financial condition, results of operations and cash flow.

### ***Disruptions in Production***

Other factors affecting the production and sale of oil and natural gas that could result in decreases in profitability include: (i) expiration or termination of leases, permits or licences, or sales price redeterminations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labour difficulties; (v) worker vacation schedules and related maintenance activities; and (vi) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can have a significant impact on operating results.

### ***Gathering and Processing Facilities and Pipeline Systems***

The Corporation delivers its products through gathering, processing and pipeline systems some of which it does not own. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production. Although pipeline expansions in Colombia are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market oil and natural gas production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Corporation's business and, in turn, the Corporation's financial condition, results of operations and cash flows. For example, the Corporation entered into an agreement with Promigas to expand its existing gas distribution network as well as take or pay gas sales contracts with existing and new consumers to coincide with the additional pipeline capacity; however, in the event the Corporation is unable to meet its obligations under the agreement with Promigas due to a lack of sales or its obligations under the take or pay gas sales contracts due to a delay in the construction of the distribution network, the Corporation may be required to pay fees under these agreements, which will result in a decrease in profitability.

All of the Corporation's production is delivered for shipment on facilities owned by third parties and over which the Corporation does not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Corporation's ability to process its production and to deliver the same for sale.

### ***Operational Risks with Pipelines***

Operational risks include: pipeline leaks; the breakdown or failure of equipment, pipelines and facilities, information systems or processes; the compromise of information and control systems; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects); spills at truck terminals and hubs; spills associated with the loading and unloading of harmful substances onto rail cars and trucks; failure to maintain adequate supplies of spare parts; operator error; labour disputes; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third party systems or refineries which may prevent the full utilization of the pipeline; and catastrophic events including but not limited to natural disasters, fires, floods, explosions, train derailments, earthquakes, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of the Corporation. Canacol may also be exposed from time to time, to additional operational risks not stated in the immediately preceding sentences. The occurrence or continuance of any of these events could increase the cost of operating the Corporation's pipelines or reduce revenue, thereby impacting earnings.

### ***Availability of Drilling Equipment and Access Restrictions***

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Canacol and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay Canacol's proposed exploration, development, and sales activities and could have a material adverse effect on Canacol's financial condition. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry then the oil and natural gas industry may experience shortages of qualified personnel to operate drilling rigs. This could delay Canacol's drilling operations and adversely affect Canacol's financial condition and results of operations. To the extent Canacol is not the operator of its oil and gas properties, Canacol will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

### ***Natural Disasters and Weather-Related Risks***

Canacol is subject to operating hazards normally associated with the exploration and production of oil and natural gas, including blow-outs, explosions, oil spills, cratering, pollution, earthquakes, hurricanes and fires. The occurrence of any such operating hazards could result in substantial losses to Canacol due to injury or loss of life and damage to or destruction of oil and natural gas wells, formations, production facilities or other properties.

### ***Uninsurable Risks***

In the course of exploration, development and production of oil and gas properties, certain risks, and in particular, blow-outs, pollution, craterings, fires and oil spills and premature decline of reservoirs and invasion of water into producing formations may occur all of which could result in personal injuries, loss of life and damage to property of Canacol and others. Hazards such as unusual or unexpected geological formations, pressures or other conditions may be encountered in drilling and operating wells. Although Canacol intends to obtain insurance to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances, be insurable or, in certain circumstances, Canacol may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Canacol. The occurrence of a significant event that Canacol is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Canacol's financial position, results of operations or prospects. There can be no assurance that insurance will be available in the future.

### ***Security***

Colombia has a publicized history of security problems associated with certain narco-terrorist groups. Canacol and its personnel are subject to these risks, but through effective security and social programs, Canacol believes these risks can be effectively managed. It is difficult to obtain insurance coverage to protect against terrorist incidents and as a result Canacol's insurance program excludes certain coverage. Consequently, incidents like this in the future could have a material adverse impact on Canacol's operations. In addition to the potential effect of direct terrorist activities against Canacol's facilities, increased kidnapping and terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with Canacol's operations.

### ***Reserve Replacement***

Canacol's oil and natural gas reserves and production, and therefore its cash flows and earnings derived therefrom are highly dependent upon Canacol developing and increasing its current reserve base and

discovering or acquiring additional reserves. Without the addition of reserves through exploration, acquisition or development activities, Canacol's reserves and production will decline over time as reserves are depleted. To the extent that cash flow or net revenue from operations is insufficient and external sources of capital become limited or unavailable, Canacol's ability to make the necessary capital investments to maintain and expand its oil and natural gas reserves will be impaired. There can be no assurance that Canacol will be able to find and develop or acquire additional reserves to replace production at commercially feasible costs.

### ***Competition in Obtaining Rights to Explore and Develop Oil and Gas Reserves***

The oil and gas industry is highly competitive. Other oil and gas companies will compete with the Corporation by bidding for exploration and production licenses and other properties and services the Corporation will need to operate its business in the countries in which it expects to operate. Additionally, other companies engaged in the Corporation's line of business may compete with the Corporation from time to time in obtaining capital from investors. Competitors include larger companies, which, in particular, may have access to greater resources than the Corporation, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. In the event that the Corporation does not succeed in negotiating additional property acquisitions, its future prospects will likely be substantially limited, and its financial condition and results of operations may deteriorate.

### ***Permits and Licenses***

The operations of Canacol may require licenses and permits for various governmental authorities. There can be no assurance that Canacol will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations of its projects.

### ***Minimum Work Commitments on Exploration Blocks***

Canacol must fulfill certain minimum work commitments on certain projects in Colombia as outlined herein. There are no assurances that all of these commitments will be fulfilled within the time frames allowed. As such, Canacol may lose certain exploration rights on the blocks affected and may be subject to certain financial penalties that would be levied by the applicable governmental authority. However, the Corporation has the right to request suspensions or extensions due to force majeure events.

### ***No Assurance of Title***

Title to or rights in oil and gas is often not susceptible of determination without incurring substantial expense. Title to oil and gas properties may involve certain inherent risks due to problems arising from the ambiguous conveyancing history characteristic of many such properties. Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of Canacol which could result in a reduction of the revenue received by Canacol. In civil law jurisdictions like Colombia, legal title is not perfected until such time as the appropriate governmental authorities approve the assignment of a participating interest, record the title holder in the applicable registry and issue a decree. This process can take time, even several years. As a result, it is common business practice for commercial parties to proceed with the completion of a purchase and sale transaction, notwithstanding the fact that governmental approval may take years to properly reflect these business dealings. In these cases, title review due diligence involves ensuring that the current title holder has started the different authorization procedures, and also involves an update as to the status of the required authorizations.

## **Environmental Concerns**

The Corporation is subject to environmental laws and regulations that affect aspects of the Corporation's past, present and future operations. Extensive national, provincial and local environmental laws and regulations in Colombia will and do affect nearly all of the operations of the Corporation. These laws and regulations set various standards regulating certain aspects of health and environmental quality, including air emissions, water quality, wastewater discharges and the generation, transport and disposal of waste and hazardous substances; provide for penalties and other liabilities for the violation of such standards; and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation.

There is uncertainty around the impact of environmental laws and regulations, including those currently in force and proposed laws and regulations, and the Corporation cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered, interpreted from time to time, or enforced. It is not possible to predict the outcome and nature of certain of these requirements on the Corporation and its business at the current time; however, failure to comply with current and proposed regulations can have a material adverse impact on the Corporation's business and results of operations by substantially increasing its capital expenditures and compliance costs, its ability to meet its financial obligations, including debt payments. It may also lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions. Further, compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Corporation for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Corporation.

Environmental regulation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The Corporation's activities have the potential to impair natural habitat, damage plant and wildlife, or cause contamination to land or water that may require remediation under applicable laws and regulations. These laws and regulations require the Corporation to obtain and comply with a variety of environmental registrations, licenses, permits and other approvals. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. Both public officials and private individuals may seek to enforce environmental laws and regulations against the Corporation.

Significant liability could be imposed on the Corporation for costs resulting from potential unknown and unforeseeable environmental impacts arising from the Corporation's operations, including damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by the Corporation or non-compliance with environmental laws or regulations. While these costs have not been material to the Corporation in the past, there is no guarantee that this will continue to be the case in the future.

Given the nature of the Corporation's business, there are inherent risks of oil or gas spills or leaks occurring at the Corporation's drilling and operations sites. Large spills or leaks of oil, gas and oil and gas products can result in significant clean-up costs. Oil and gas spills or leaks can occur from operational issues, such as operational failure, accidents and deterioration and malfunctioning of equipment. Oil and gas spills or leaks can also occur as a result of sabotage and damage to the pipelines. Further, the Corporation may sell oil at various delivery stations and the oil maybe truck transported. There is an inherent risk of oil spills caused by road accidents which the Corporation may still be deemed to be responsible for as the owner of the crude oil. All of these may lead to significant potential environmental liabilities, such as clean-up and litigation costs, which may materially adversely affect the Corporation's financial condition, cash flows and results of operations. Depending on the cause and severity of the oil or gas spill or leak, the Corporation's reputation may also be adversely affected, which could limit the Corporation's ability to obtain permits and affect its future operations.

To prevent and/or mitigate potential environmental liabilities from occurring, the Corporation has policies and procedures designed to prevent and contain oil and gas spills and leaks. The Corporation works to minimize spills through a program of well-designed facilities that are safely operated, effective operations integrity management, continuous employee training, regular upgrades to facilities and equipment and implementation of a comprehensive inspection and surveillance system. Also, the Corporation's facilities and operations are subject to routine inspection by various Federal and Provincial authorities in Colombia to evaluate the Corporation's compliance with the various laws and regulations.

### ***Pending Regulations Related to Emissions***

Governments around the world have become increasingly focused on regulating greenhouse gas ("GHG") emissions and addressing the impacts of climate change in some manner. GHG emissions legislation is emerging and is subject to change. For example, on an international level, almost 200 nations agreed in December 2015, to an international climate change agreement in Paris, France (the "**Paris Agreement**"), that calls for countries to set their own GHG emission targets and be transparent about the measures each country will use to achieve its GHG emission targets. Colombia signed the Paris Agreement. In addition, Colombia has established the National Energy Efficiency Program, which calls for electric utilities, oil and gas companies, and other energy service companies to develop Energy Efficiency Plans to meet goals set forth by the Ministry and the Mining and Energy Planning Unit. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact the Corporation's business, any such future laws and regulations that limit emissions of GHGs could adversely affect demand for the oil and natural gas produced by the Corporation.

Current GHG emissions legislation has not resulted in material compliance costs, however, it is not possible at this time to predict whether proposed legislation or regulations will be adopted, and any such future laws and regulations could result in additional compliance costs or additional operating restrictions. If the Corporation is unable to recover a significant level of its costs related to complying with climate change regulatory requirements imposed on the Corporation, it could have a material adverse impact on the Corporation's business, financial condition and results of operations. In addition, significant restrictions on GHG emissions could result in decreased demand for the oil and natural gas produced by the Corporation, with a resulting decrease in the value of the Corporation's reserves. Further, to the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact the Corporation's cost of or access to capital. Finally, some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that could have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other extreme climatic events; if such effects were to occur, they could have an adverse effect on the operations of the Corporation.

### ***Penalties***

The Corporation's exploration, development, production and marketing operations are regulated extensively under foreign, federal, state and local laws and regulations. Under these laws and regulations, the Corporation could be held liable for personal injuries, property damage, site clean-up and restoration obligations or costs and other damages and liabilities. The Corporation may also be required to take corrective actions, such as installing additional safety or environmental equipment, which could require it to make significant capital expenditures. Failure to comply with these laws and regulations may also result in the suspension or termination of the Corporation's operations and subject it to administrative, civil and criminal penalties, including the assessment of natural resource damages. The Corporation could be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result of these laws and regulations, the Corporation's future business prospects could deteriorate and its profitability could be impaired by costs of compliance, remedy or indemnification of our employees.

### ***Reliance on Strategic Relationships***

Canacol's existing business relies on strategic relationships in the form of joint ventures with local government bodies, other oil and gas companies and other overseas companies. Specific to strategic relationships with other oil and gas companies, Canacol is somewhat reliant on, amongst others, ConocoPhillips Colombia, the operator under the VMM 2 and VMM 3 E&P Contracts. There can be no assurance that ConocoPhillips Colombia or the other companies Canacol has a strategic relationship with, will be able to continue, or will continue, to fund their share of expenditures. In addition, there can be no assurances that all of these strategic relationships will continue to be maintained; however, at present management is not aware of any issues regarding its strategic relationships.

### ***Conflicting Interests with Joint Venture Partners***

Management of the Corporation may attempt to identify industry participants and negotiate transactions whereby other enterprises will join with the Corporation to conduct joint venture activity to explore for or develop the various projects. Current capital market conditions make this process more challenging and time consuming than under more buoyant economic circumstances, resulting in the Corporation possibly having to bring participants into its planned activities on less attractive terms than might otherwise have been negotiated. There can be no assurances as to the timing or completion of related terms of possible joint venture arrangements.

Joint venture arrangements must be negotiated with third parties who will generally have objectives and interests that may not coincide with Canacol's interests and may conflict its interests. Unless the parties are able to compromise these conflicting objectives and interests in a mutually acceptable manner, arrangements with these third parties will not be consummated.

In certain circumstances, the concurrence of joint venture partners may be required for various actions. Other parties influencing the timing of events may have priorities that differ from Canacol's, even if they generally share Canacol's objectives. Demands by or expectations of joint venture partners and others may affect Canacol's participation in such projects or its ability to obtain or maintain necessary licenses and other approvals or the timing of undertaking various activities or operations.

### ***Third Party Credit Risks***

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current and future joint venture partners and gas sale customers. In the event such entities fail to meet their contractual obligations, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit condition in the industry and of a potential joint venture partner or gas sale customer may impact such entity's willingness to participate in a future capital program or arrangement with Canacol.

### ***Breach of Confidentiality***

While discussing potential business relationships with third parties, the Corporation may disclose confidential information on operating results or proprietary intellectual property. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

## **Foreign Subsidiaries**

The Corporation will conduct all of its operations through foreign subsidiaries and foreign branches. Therefore, to the extent of these holdings, Canacol will be dependent on the cash flows of these subsidiaries to meet its obligations excluding any additional equity or debt Canacol may issue from time to time. The ability of its subsidiaries to make payments and transfer cash to Canacol may be constrained by, among other things: the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which it operates; and the introduction of foreign exchange and/or currency controls or repatriation restrictions, or the availability of hard currency to be repatriated.

## **Risks of Foreign Operations Generally**

Canacol's oil and natural gas properties and operations are located in a foreign jurisdiction. As such, Canacol's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Canacol, including, but not limited to, nationalization, expropriation of property without fair compensation, renegotiation or nullification of existing concessions and contracts, the imposition of specific drilling obligations and the development and abandonment of fields, changes in energy policies or the personnel administering them, changes in oil and natural gas pricing policies, the actions of national labour unions, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Canacol's operations are conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. Canacol's operations may also be adversely affected by laws and policies of Colombia and Canada affecting foreign trade, taxation and investment. If Canacol's operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations.

In addition, there can be no assurance that contracts, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

In the event of a dispute arising in connection with Canacol's operations in Colombia, Canacol may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Canacol may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Canacol's exploration, development and production activities in Colombia could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on Canacol.

Acquiring interests and conducting exploration and development operations in foreign jurisdictions often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase Canacol's cost of doing business or affect its operations in any area.

Canacol may in the future acquire oil and natural gas properties and operations outside of Colombia, which expansion may present challenges and risks that Canacol has not faced in the past, any of which could adversely affect the results of operations and/or financial condition of Canacol. The Corporation is an experienced operator in South America.

To help mitigate the risks associated with operating in foreign jurisdictions, Canacol seeks to operate in regions where the petroleum industry is a key component of the economy. Canacol believes that management's



experience operating both in Colombia and in other international jurisdictions helps reduce these risks. Some countries in which Canacol may operate may be considered politically and economically unstable. In Colombia, the government has a long history of democracy and an established legal framework that, in Canacol's opinion, minimizes political risks.

### ***Foreign Location of Assets***

Other than cash on deposit, almost all of Canacol's assets are located in countries other than Canada (whose laws may differ materially from those in Canada), which may impede or adversely affect the ability of Canacol and its directors and management to manage its operations and protect its assets. A portion of the cash on deposit is located in countries other than Canada.

### ***Income Taxes***

The Corporation and its subsidiaries file all required income tax returns and the Corporation believes that it is in material compliance with the applicable tax laws of Canada, Colombia, Peru, Panama, Brazil, United States, Spain, Switzerland, Netherlands and Mexico; however, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates the Corporation's income for tax purposes or could change administrative practices to the Corporation's detriment.

### ***Foreign Exchange and Currency Risks***

The Corporation is exposed to foreign exchange and currency risk as a result of fluctuations in exchange rates through its cash deposits and investments denominated in the Colombian peso and the Canadian dollar. Most of the Corporation's revenues and funds from financing activities are expected to be received in reference to US dollar denominated prices while a portion of its operating, capital, and general and administrative costs are denominated in the Colombian peso and the Canadian dollar. During the year ended December 31, 2019, the Corporation entered into a Colombian peso to US dollar foreign exchange collar to mitigate its foreign exchange risk. The foreign exchange collar expires in July 2020.

### ***Repatriation of Earnings***

Currently there are no significant restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings will not be imposed in the future.

### ***Legal Systems***

Canacol is subject to the legal systems and regulatory requirements of a number of jurisdictions with a variety of requirements and implications for its Shareholders. International exploration and development activities may require protracted negotiations with host governments, national oil companies and third parties. Foreign government regulations may favour or require the awarding of drilling contracts to local contracts or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. If a dispute arises with foreign operations, Canacol may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the jurisdiction of Canada.

Colombia is a civil law jurisdiction, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. The commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain in the jurisdictions where the Corporation operates, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

### ***Changes in Legislation***

The oil and natural gas industry in Colombia is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Corporation will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas companies, including environmental laws and regulations which are evolving in Colombia, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenditures and costs, affect the Corporation's ability to expand or transfer existing operations or require the Corporation to abandon or delay the development of new oil and natural gas properties.

Also, Canadian federal and provincial tax laws and government incentive programs relating to the oil and gas industry have a material effect on the advisability of investing in the Common Shares. The return on an investment in securities of Canacol is subject to changes in such laws and incentive programs and there can be no assurance that such laws or programs will not be changed in a manner which adversely affects Canacol or the holding or disposing of Common Shares.

### ***Governmental Regulation***

The oil and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and natural gas, increase Canacol's costs and have a material adverse effect on Canacol.

### ***Legal Proceedings***

Canacol is involved in litigation from time to time in the ordinary course of business. Canacol is not a party to any material legal proceedings; however, other legal proceedings could be filed against Canacol in the future. No assumption can be given as to the final outcome of any legal proceedings or that the ultimate resolutions will not have a material adverse effect on Canacol.

### ***Expansion into New Activities***

The operations and expertise of the Corporation's management are currently focused primarily on oil and gas production, exploration and development in Colombia. In the future the Corporation may acquire or move into new industry related activities or new geographical areas, may acquire different energy related assets, and as a

result may face unexpected risks or alternatively, significantly increase the Corporation's exposure to one or more existing risk factors, which may in turn result in the Corporation's future operational and financial conditions being adversely affected.

#### ***Failure to Realize Anticipated Benefits of Acquisitions and Dispositions***

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided by third parties and assets required to provide such services. In this regard, non-core assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation may realize less on disposition than their carrying value on the financial statements of the Corporation.

#### ***Information Technology or Cybersecurity***

Canacol depends on the reliability and security of its information technology systems to conduct certain exploration, development and production activities, process financial records and operating data, communication with its employees and business partners, and for many other activities related to its business. Canacol's information technology systems may fail or have other significant shortcomings due to operational system flaws or employee misuse, tampering or manipulation. In addition, Canacol may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information. Any of these occurrences could disrupt the business, result in potential liability or reputational damage or otherwise have an adverse effect on Canacol's financial results.

#### ***Cost of New Technologies***

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before Canacol does. There can be no assurance that Canacol will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by Canacol or implemented in the future may become obsolete. In such case, Canacol's business, financial condition and results of operations could be materially adversely affected. If Canacol is unable to utilize the most advanced commercially available technology, Canacol's business, financial condition and results of operations could be materially adversely affected.

#### ***Dependence on Key Personnel***

The success of Canacol is dependent on the services of a number of members of senior management. The experience of these individuals will be a factor contributing to Canacol's continued success and growth and there is a risk that the death or departure of one or more of these individuals could have a material adverse effect on Canacol. The ability of Canacol to conduct its operations is also highly dependent on the availability of skilled workers.

### **Conflicts of Interest**

There are potential conflicts of interest to which some of the directors and officers of Canacol will be subject in connection with the operations of Canacol. Some of the directors and officers are engaged and will continue to be engaged in the search for oil and natural gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with Canacol. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with Canacol, to disclose his or her interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See also “*Directors and Officers – Conflicts of Interest*”.

### **Widespread Pandemic**

Canacol’s operations are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place Canacol’s workforce at risk. The 2020 outbreak of the novel coronavirus (COVID-19) in China and other countries around the world is one example of such an illness. The Corporation takes every precaution to strictly follow industrial hygiene and occupational health guidelines. There can be no assurance that this virus or another infectious illness will not impact the Corporation’s personnel and ultimately its operations.

### **Corruption**

The Corporation’s operations are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. The Corporation has policies in place to prevent any form of corruption or bribery, which includes requiring that all employees participate in an ethics awareness seminar, enforcement of policies against giving or accepting money or gifts in certain circumstances and an annual certification from each employee confirming that each employee has received and understood the Corporation’s anticorruption policies. It is possible that the Corporation, or some of its subsidiaries, employees or contractors, could be charged with bribery or corruption as a result of the unauthorized actions of its employees or contractors. If the Corporation is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Corporation could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Corporation’s ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Corporation from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

### **Forward-Looking Statements May Prove Inaccurate**

Shareholders and investor are cautioned not to place undue reliance on forward-looking statements and other future looking financial information. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

### **Risks Related to the Common Shares**

The market price of the Common Shares may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond the Corporation’s control, including but not limited to:

- dilution caused by the issuance of additional Common Shares and other forms of equity securities;
- announcements of new acquisitions, reserve discoveries or other business initiatives by the Corporation's competitors;
- fluctuations in revenue from the Corporation's oil and natural gas business;
- changes in the market price for oil and natural gas commodities and/or in the capital markets generally;
- changes in the demand for oil and natural gas, including changes resulting from the introduction or expansion of alternative fuels;
- changes in the social, political and/or legal climate in the regions in which the Corporation will operate;
- changes in the valuation of similarly situated companies, both in the Corporation's industry and in other industries;
- changes in analysts' estimates affecting the Corporation, its competitors and/or industry;
- changes in the accounting methods used in or otherwise affecting the Corporation's industry;
- changes in independent reserve estimates related to the Corporation's oil and gas properties;
- announcements of technological innovations or new products available to the oil and natural gas industry;
- announcements by relevant governments pertaining to incentives for alternative energy development programs;
- fluctuations in interest rates, exchange rates and the availability of capital in the capital markets; and
- significant sales of Common Shares, including sales by future investors in future offerings of the Corporation.

In addition, the market price of the Common Shares could be subject to wide fluctuations in response to various factors, which could include the following, among others:

- quarterly variations in the Corporation's revenues and operating expenses;
- additions and departures of key personnel; and
- updated reserve estimates by independent parties.

These and other factors are largely beyond the Corporation's control, and the impact of these risks, singularly or in the aggregate, may result in material adverse changes to the market price of the Common Shares and/or the Corporation's results of operations and financial condition.

#### **ADDITIONAL FINANCIAL AND OTHER INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Canacol's securities and securities authorized for issuance under equity compensation plans, where applicable, will be contained in Canacol's information circular for the next annual meeting of Shareholders that involves the election of directors and additional information as provided in Canacol's comparative financial statements for its most recently completed financial year. Canacol will provide this information to any person, upon request made to the Chief Financial Officer of Canacol at Suite 2650, 585 - 8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 1G1. The documents will also be located on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the period ended December 31, 2019, which are also available on SEDAR.

**SCHEDULE A**

**REPORT ON RESERVES DATA BY  
INDEPENDENT QUALIFIED RESERVES EVALUATOR  
(FORM 51-101F2)**



Global Energy Consultants

NATIONAL INSTRUMENT FORM 51-101F2
REPORT on RESERVES DATA

To the board of directors of Canacol Energy Ltd. (the "Company"):

- 1. We have evaluated the Company's reserves data as at December 31, 2019. The reserves data are estimates of proved reserves, probable reserves and possible reserves and related future net revenue as December 31, 2019, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the US Institute of Mining, Metallurgy & Petroleum (Petroleum Society).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to total proved-plus-probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the December 31, 2019, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Table with 7 columns: Independent Qualified Reserves Evaluator, Description & Preparation Date of Evaluation Report, Location of Reserves, and Net Present Value of Future Net Revenue (before income tax, 10% discount rate) with sub-columns Audited, Evaluated, Reviewed, and Total. Data row shows Boury Global Energy Consultants Limited, Reserve Evaluation Report as of December 31, 2019 on Certain Properties owned by Canacol Energy Ltd. dated February 14, 2020, Colombia, and revenue values.

BOURY GLOBAL ENERGY CONSULTANT LTD.


6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after their respective preparation dates.
8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

Boury Global Energy Consultants Ltd., Calgary, Alberta, dated February 14, 2020

BOURY GLOBAL ENERGY  
CONSULTANTS LTD.

  
\_\_\_\_\_  
Nahla Boury, P.Eng. ICD.D

PERMIT TO PRACTICE BOURY GLOBAL ENERGY CONSULTANTS LTD.	
Signature	
Date	February 14, 2020
PERMIT NUMBER: P 14020	
The Association of Professional Engineers, Geologists and Geophysicists of Alberta	



**SCHEDULE B**

**REPORT OF MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE  
(FORM 51-101F3)**

**REPORT OF MANAGEMENT AND DIRECTORS  
ON OIL AND GAS DISCLOSURE  
(FORM 51-101F3)**

Management of Canacol Energy Ltd. (the “**Corporation**”) are responsible for the preparation and disclosure of information with respect to the Corporation’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

An independent qualified reserves evaluator has evaluated the Corporation’s reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Corporation has

- (a) reviewed the Corporation’s procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the board of directors has reviewed the Corporation’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

*(signed) "Charle Gamba"*

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**Charle Gamba, Chief Executive Officer,  
President and Director**

*(signed) "Ravi Sharma"*

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**Ravi Sharma, Chief Operating Officer**

*(signed) "Michael Hibberd"*

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**Michael Hibberd, Chairman and Director**

*(signed) "David Winter"*

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**David Winter, Director**

**Dated: March 17, 2020**

## SCHEDULE C

### CANACOL ENERGY LTD.

#### AUDIT COMMITTEE'S TERMS OF REFERENCE

##### I. Constitution and Purpose

The Audit Committee (the "Committee") shall be established by resolution of the Board of Directors (the "Board") of Canacol Energy Ltd. ("Canacol" or the "Corporation") for the purpose of assisting the Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by Canacol to regulatory authorities and shareholders, Canacol's systems of internal controls regarding finance and accounting, and Canacol's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, Canacol's policies, procedures and practices at all levels. The Committee's primary roles and responsibilities are to:

- Serve as an independent and objective party to monitor the integrity and quality of Canacol's financial reporting and internal control system and review Canacol's financial reports.
- Review and appraise the qualifications, independence, engagement, compensation and performance of Canacol's external auditors.
- Provide an open avenue of communication among Canacol's auditors, financial and senior management and the Board.

##### II. Composition

The Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of which members will be independent within the meaning of National Instrument 52-110 - Audit Committees ("NI 52-110") unless the Board determines to rely on an exemption in NI 52-110. "Independent" generally means free from any business or other direct or indirect material relationship with the Corporation that could, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment.

All of the members must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed or ceases to be a member of the Board. The Board shall fill vacancies in the Committee by appointment from among the members of the Board. If a vacancy exists on the Committee, the remaining members shall exercise all its powers so long as a quorum remains in office. The Board shall appoint a chair for the Committee from its members (the "Chair"). If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

No Director who serves as board member of any other company shall be eligible to serve as a member of the Committee unless the Board has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. Determinations as to whether a particular Director satisfies the requirements for membership on the Committee shall be made by the Corporate Governance and Nominating Committee.

No member of the Committee shall receive from the Corporation or any of its affiliates any compensation other than the fees to which he or she is entitled as a Director of the Corporation or a member of a committee of the Board. Such fees may be paid in cash and/or shares, options or other in-kind consideration ordinarily available to Directors.

### **III. Meetings**

The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair. The Chair of the Committee, any member of the Committee, the external auditors of the Corporation, the Chairman of the Board, the Chief Executive Officer (“CEO”) or the Chief Financial Officer (“CFO”) may call a meeting of the Committee by notifying the Corporation’s corporate secretary, who will notify the members of the Committee. A majority of members of the Committee shall constitute a quorum.

As part of its job to foster open communication, the Committee shall meet at least annually with management and the external auditors in separate sessions. The CEO and CFO and a representative of the Corporation’s external auditors may, if invited by the Chair of the Committee, attend and speak at meetings of the Committee. The Committee may also invite any other officer or employee of the Corporation, legal counsel, the Corporation’s financial advisors and any other persons to attend meetings and give presentations with respect to their area of responsibility, as considered necessary by the Committee.

The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to the Committee members with copies to the Board, the CFO or such other officer acting in that capacity, and the external auditors. Supporting schedules and information reviewed by the Committee shall be available for examination by any Director.

The Chair of the Committee shall be available at the annual general meeting of the Corporation to respond to any shareholder questions on the activities and responsibilities of the Committee.

### **IV. Authority**

The Committee is authorised by the Board to:

- a) Investigate any matter within its Terms of Reference
- b) Have direct communication with the Corporation’s external auditors
- c) Seek any information it requires from any employee of the Corporation
- d) Retain, at its discretion, outside legal, accounting or other advisors, at the expense of the Corporation, to obtain advice and assistance in respect of any matters relating to its duties, responsibilities and powers as provided for or imposed by these Terms of Reference or otherwise by law or the by-laws of the Corporation

### **V. Roles and Responsibilities**

The Committee shall have the roles and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. To fulfill its responsibilities, the Committee shall:

**a) Accounting and Financial Reporting Matters**

1. In consultation with the external auditors, review with management the integrity of Canacol's financial reporting processes, both internal and external.
2. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
3. At each meeting, consult with the external auditors, without the presence of management, about the quality of Canacol's accounting principles, internal controls and the completeness and accuracy of Canacol's financial statements.
4. Review the Corporation's interim and annual financial statements and management's discussion & analysis of operations (the "MD&A"), Annual Information Forms and earnings press releases prior to their public disclosure and Board approval, where required, and ensure that adequate procedures are in place for the review of the Canacol's public disclosure of financial information extracted or derived from the Corporation's financial statements for inclusion in documents such as the Management Information Circular and prospectuses.
5. Following such review with management and the external auditors, recommend to the Board whether to approve the annual or interim financial statements and MD&A and any other filings with the securities commissions.
6. Monitor in discussion with the external auditors the integrity of the financial statements of the Corporation before submission to the Board, focusing particularly on:
  - (a) Significant accounting policies and practices under International Financial Reporting Standards ("IFRS") as applicable to Canacol and any changes in such accounting policies and practices as required by the standard setters or as suggested by the external auditors and management
  - (b) Major judgment areas including significant accruals, key assumptions and estimates, and the view of the external auditors as to appropriateness of such judgments
  - (c) Significant adjustments resulting from the audit
  - (d) The going concern assumption
  - (e) Compliance with accounting standards including the effects on the financial statements of alternative methods within generally accepted accounting principles
  - (f) Compliance with stock exchange and legal requirements
  - (g) Accounting treatment and disclosure of large transactions as well as unusual or non-recurring transactions
  - (h) Significant off-balance sheet and contingent assets and liabilities and the related disclosures
  - (i) Disclosure requirements for commitments
  - (j) Compliance with covenants under loan agreements
  - (k) Significant interim review audit findings during the year, including the status of previous audit recommendations
  - (l) All related party transactions with the required disclosures in the financial statements.

(m) Timeliness of statutory payments

7. On at least an annual basis, review with the Corporation's legal counsel and management, all legal and regulatory matters and litigation, claims or contingencies, including tax assessments, license or concession defaults or notifications, health and safety violations or environmental issues, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements.

**b) External Auditors**

1. Consider and make recommendations to the Board for it to put to the shareholders for their approval in a general or special meeting in relation to the appointment, re-appointment and removal of Canacol's external auditors and to approve the compensation and terms of engagement of the external auditors for the annual audit, interim reviews and any other audit-related and non-audit-related services.
2. When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
3. Require the external auditors to report directly to the Committee.
4. Discuss with the external auditors, before an audit commences, the nature and scope of the audit, and other relevant matters.
5. Review and monitor the performance of the external auditors and the effectiveness of the audit process taking into consideration relevant professional and regulatory requirements.
6. Obtain annually a formal written statement of external auditors setting forth all relationships between the external auditors and Canacol and confirming their independence from Canacol.
7. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
8. Review and approve Canacol's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
9. Discuss problems and reservations arising from an audit, and any matters the external auditors may wish to discuss (in the absence of management where necessary).
10. Upon completion of the audit, review the external auditors' report on the financial statements and any recommendation letters issued to management with management's responses including the management representation letter.
11. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by Canacol's external auditors and consider the impact on the independence of the auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (i) The aggregate amount of all such non-audit services provided to Canacol constitutes not more than five percent of the total amount of revenues paid by Canacol to its external auditors during the fiscal year in which the non-audit services are provided

- (ii) Such services were not recognized by Canacol at the time of the engagement to be non-audit services
- (iii) Such services are promptly brought to the attention of the Committee by Canacol and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of Canacol Directors to whom authority to grant such approvals has been delegated by the Committee

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

- 12. Consider the major findings of the external auditors and management's responses, including the resolution of disagreements between management and the external auditors regarding financial reporting.
  - 13. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
  - 14. At each meeting, consult with the external auditors, without the presence of management, about the quality, not just the acceptability, of the accounting principles applied in the Corporation's financial reporting, effectiveness of internal controls and the completeness and accuracy of the Corporation's financial reports.
- c) Disclosure Controls & Procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR")**
- 1. Monitor and review Canacol's disclosure policy on an annual basis.
  - 2. In conjunction with each fiscal year end, review management's assessment of the design and effectiveness of Canacol's DC&P including any control deficiencies identified and the related remediation plans for any significant or material deficiencies.
  - 3. In conjunction with each fiscal year end, review management's assessment of the design and effectiveness of Canacol's ICFR including any control deficiencies identified and the related remediation plans for any significant or material deficiencies.
  - 4. Review and discuss any fraud or alleged fraud involving management or other employees who have a role in Canacol's ICFR and the related corrective and disciplinary actions to be taken.
  - 5. Discuss with management any significant changes in the ICFR that are disclosed or considered for disclosure in the MD&A on a quarterly basis.
  - 6. Review and discuss with the CEO and the CFO the procedures undertaken in connection with the CEO and CFO certifications for the annual and interim filings with the securities commissions.
  - 7. Review the adequacy of internal controls and procedures related to any corporate transactions in which directors or officers of Canacol have a personal interest, including the expense accounts of senior officers of Canacol and officers' use of corporate assets.



**d) Risk management**

1. Review the Corporation's risk management policies and processes established to effectively identify, assess and treat the Corporation's principal risks of the business and to receive an annual report thereon.
2. Review the financial exposures undertaken by the Corporation together with any mitigating strategies including physical and financial positions in commodities markets, derivative strategies, capital commitments, sovereign and foreign exchange exposures, and interest rate fluctuations.
3. Review on an annual basis the adequacy and effectiveness of the Corporation's insurance policies including coverage for property damage, business interruption, liabilities, and directors and officers.
4. Review the Corporation's major financings and its future financing plans and strategies considering current and future business needs and the condition of capital markets.
5. Review and approve the discussion and disclosure of risks in public documents.

**e) Procedures for the Receipt and Treatment of Complaints regarding Accounting, Internal Accounting Controls, or Auditing Matters**

1. Establish procedures for:
  - (a) The receipt, retention and treatment of complaints received by Canacol regarding accounting, internal accounting controls, or auditing matters
  - (b) The confidential, anonymous submission by employees of Canacol of concerns regarding questionable accounting or auditing matters
  - (c) The investigation of such matters with appropriate follow-up actions

**VI. Committee Effectiveness Procedures**

The Committee shall review its Terms of Reference on an annual basis, or more often as required, to ensure that they remain adequate and relevant, and incorporate any material changes in statutory and regulatory requirements and the Corporation's business environment. The Committee shall make recommendations to the Corporate Governance and Nominating Committee as to proposed changes, if any.

The procedures outlined in these Terms of Reference are meant to serve as guidelines, and the Committee may adopt such different or additional procedures as it deems necessary from time to time.

In setting the agenda for a meeting, the Chair of the Committee shall encourage the Committee members, management, the Corporation's external auditors, and other members of the Board to provide input in order to address emerging issues.

Prior to the beginning of a fiscal year, the Committee shall submit an annual planner for the meetings to be held during the upcoming fiscal year, for review and approval by the Board to ensure compliance with the requirements of the Committee's Terms of Reference.

Any written material provided to the Committee shall be appropriately balanced (i.e. relevant and concise) and shall be distributed in advance of the respective meeting with sufficient time to allow Committee members to review and understand the information.

The Committee shall conduct an annual self-assessment of its performance and these Terms of Reference and shall make recommendations to the Corporate Governance and Nominating Committee with respect thereto.

Members of the Committee shall be provided with appropriate and timely training to enhance their understanding of auditing, accounting, regulatory and industry issues applicable to the Canacol.

New Committee members shall be provided with an orientation program to educate them on the Corporation's business, their responsibilities and the Corporation's financial reporting and accounting practices.